

COMMISSION FINDINGS AND PROPOSALS

URBAN AMERICA
AND THE
FEDERAL SYSTEM



ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON, D. C. 20575
OCTOBER 1969
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October 1969

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*Robert E. Merriam was appointed Chairman in October 1969, succeeding Farris Bryant who was Chairman when this report was written.

COMMISSION FINDINGS AND PROPOSALS

URBAN AMERICA AND THE FEDERAL SYSTEM

Prepared by Allen D. Manvel for the
Advisory Commission on Intergovernmental Relations
with assistance of a grant from the Ford Foundation

This document is based on research and recommendations on
urban and metropolitan problems previously published by the Commission.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
Washington, D. C. 20575
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M-47



ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS¹

The reports on which this book is based were published between April 1961 and May 1969. During this period the following persons served as members of the Commission:

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Richard G. Lugar (Indianapolis, Indiana; Republican)	3/26/69 - present

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Gladys N. Spellman (Prince George's County, Maryland; Democrat)	4/28/67 - 6/17/69
John F. Dever (Middlesex County, Mass.; Democrat)	1/24/68 - present

¹The Act establishing the Commission provides that members appointed from private life shall be appointed without regard to political party; of the members representing the Congress, two shall be from the majority party of the respective houses; of each class of members representing State and local governments, not more than two shall be from any one political party. (P.L. 86-380, September 24, 1959.) Party affiliations for all present and previous members are shown for the information of those interested in historical, geographical or other comparison.

*Served on the Commission in two capacities at different times.

**Deceased.

ACKNOWLEDGMENTS

Many people have shared, directly or indirectly, in the preparation of this book. Its substance has been drawn from nearly a score of reports of the Advisory Commission on Intergovernmental Relations, issued over a 9-year period during which more than 80 individuals (as listed on page iii) served as Commission members. Many proposals made in those reports are specifically quoted here. In addition this report, in some instances, summarizes, paraphrases, or repeats relevant portions of the source reports without detailed footnoting; it thus incorporates some of the earlier writing of members of the Commission or its staff.

Preparation of this report involved an initial effort to select, from among the considerably broader set of Commission reports and recommendations, those that relate most directly and significantly to metropolitan problems; organizing the selected subject matter into an ordered pattern for discussion; and drafting a presentation concerning the issues involved and the relevant findings and recommendations of the Commission. In some cases—particularly where the source report was issued several years ago—these efforts included the assembly of more background data.

The preliminary draft of the study was reviewed in detail by several individuals, and extensively modified. The final version, as presented here, especially reflects numerous suggestions made by John Shannon, Elton K. McQuery, and David B. Walker, Assistant Directors of the Commission staff, and by Laszlo L. Ecker-Racz, a former Assistant Director. Miss Hope Marindin assisted in the preliminary drafting and in the final preparation of copy for the printer. Arrangements for the illustrative charts, and for publication of the report were handled by Eugene R. Elkins.

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Allen D. Manvel
Assistant Director (Special Projects)

Wm. G. Colman
Executive Director

FOREWORD

Problems of intergovernmental relations are particularly significant, varied, and difficult in large metropolitan areas where activities of all three levels of Government operate in close proximity. Since its establishment over 9 years ago, the Advisory Commission on Intergovernmental Relations has devoted continuing attention to these problems. ACIR policy reports have dealt with alternative methods of governmental organization, planning, Federal and State relations with local governments, and the administration of several federally aided urban programs.

Taken together, they present a review of urban America and its governmental capabilities. Their recommendations provide the foundation for a philosophy of intergovernmental relations and for a coordinated program of Federal, State, and local action. This philosophy has been characterized by a pragmatic, incremental approach to Federal-State-local relationships; it involves a major strengthening of State government as a present weak link in the federal system and a drastic reordering of financial priorities within the States to give proper attention to urban affairs; and it calls for greater emphasis in Federal financial assistance upon strengthening the State and local general governmental institutions and less emphasis on furnishing vertical, functional relationships through narrow categorical assistance.

With the intense interest in positive programs of governmental and private action in the Nation's urban areas, the periodic need to integrate and synthesize the analyses and recommendations contained in the Commission's policy reports has been recognized, and it is for such a purpose that this single volume was brought together. The manuscript was prepared by Mr. Allen D. Manvel for the Advisory Commission on Intergovernmental Relations. The volume draws on those Commission studies that deal with urban problems. It places them in a broad context and summarizes ACIR recommendations to all levels of government for utilizing the resources of the federal system in urban areas. The volume summarizes previous recommendations but contains no new policy proposals. The reports used were adopted over the period from April 1961 to May 1969. A list appears immediately preceding this foreword showing the people who served as members of the Commission at any time during this period.

The Commission was established by Public Law 380, passed by the first session of the 86th Congress and approved by President Eisenhower September 24, 1959. The act declared it to be essential that an appropriate agency be established to give continuing attention to intergovernmental problems.

The act assigns responsibility to the Commission to bring together representatives of all levels of government for the consideration of common problems; provide a forum for discussing programs requiring intergovernmental cooperation; give critical attention to grant programs; make available technical assistance to the Federal Government in reviewing proposed legislation; encourage discussion and study of emerging public problems likely to require intergovernmental cooperation; recommend the most desirable allocation of functions, responsibilities, and revenues; and recommend methods of coordinating and simplifying tax laws and administrative practices.

The Commission is composed of 26 members representing all levels of government. It selects specific intergovernmental problems for analysis and policy recommendations, and during the past 9 years a growing number of these have related to urban areas. In some cases, matters proposed for study are introduced by individual members of the Commission; in other cases, public officials, professional organizations, or scholars propose projects. In still others, possible subjects are suggested by the staff. Once a subject is placed on the work program, staff is assigned to it. In limited instances the study is contracted for with experts in the field or a research organization. The staff's job is to assemble and analyze the facts, identify the differing points of view involved, and develop a range of possible, frequently alternative, policy considerations and recommen-

dations which the Commission might wish to consider. This is all developed and set forth in a preliminary draft report, containing (a) historical and factual background, (b) analysis of the issues, and (c) alternative solutions.

The preliminary draft is reviewed within the staff of the Commission and after revision is placed before an informal group of critics for searching review and criticism. In assembling these reviewers, care is taken to provide (a) expert knowledge and (b) a diversity of substantive and philosophical viewpoints. The draft report is then revised by the staff in light of criticisms and comments received and transmitted to the members of the Commission at least 3 weeks in advance of the meeting at which it is to be considered.

In its formal consideration of the draft report, the Commission registers any general opinion it may have as to further staff work or other considerations which it believes warranted. However, most of the time available is devoted to a specific and detailed examination of conclusions and possible recommendations. Differences of opinion are aired, suggested revisions discussed, amendments considered and voted upon, and finally recommendations adopted with individual dissents registered.

All of the reports used in this volume were a product of this intricate process. All have produced extensive followup efforts at every level. All have achieved some positive results. But it is our hope that this volume will stimulate even greater action.

Urban America, after all, is the greatest challenge to the American federal system and looms over the country's search for a "New Federalism" adequate for the 1970's and the decades beyond. It is the Commission's belief that the proposals set forth herein provide a bold but balanced approach to meeting this challenge.

Farris Bryant
Chairman

September 1969

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Vicious Circle



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Chapter 1

MAJOR INTERGOVERNMENTAL DIMENSIONS OF THE URBAN CRISIS

"America's federal system is on trial as never before in this century of crisis and change. Hopeful signs can be found at all levels of government, and within the perspective of the past three decades some suggest drastic changes—for the better. Yet, when measured against present and prospective needs and expectations, progress seems discouragingly slow The challenges of today are cast in seething racial unrest and civil disorder, burgeoning crime and delinquency, alarming differences in individual opportunity for education, housing and employment. Historically, these constitute one more—albeit a highly dramatic—chapter in the age-old American struggle to fulfill the mighty promise of Jefferson's Declaration within and through the balanced, constitutional system framed by the Founders in the Great Charter of 1789. The manner of meeting these challenges will largely determine the fate of the American political system; it will determine if we can maintain a form of government marked by partnership and wholesome competition among National, State and local levels, or if instead—in the face of threatened anarchy—we must sacrifice political diversity as the price of the authoritative action required for the Nation's survival." *Ninth Annual Report, ACIR, January 31, 1968.*

The crucial question of the day is whether the American federal system can survive the crisis that eddies and boils in the great cities of the Nation or if only a highly centralized and unitary governmental system will be equal to the task. The Advisory Commission on Intergovernmental Relations believes the federal system can survive, provided major changes are made in our governmental institutions, programs, and procedures—changes that will permit urban problems to be dealt with forthrightly and effectively. To outline these changes is the central purpose and theme of this volume.

Because urban problems are so deep, complex and intertwined with one another; because the spectrum of essential institutional change is so wide; and so that the reader may view a forest instead of countless trees; it is desirable at the outset to look broadly at the range of issues and the general nature of the proposals to follow.

BASIC INTERGOVERNMENTAL PROBLEMS BESETTING URBAN AMERICA

Fiscal and Political Fragmentation Resulting in Mismatch of Needs and Resources

The metropolitan areas of the United States account for 80 percent of the Nation's bank accounts, three-quarters of Federal personal income tax collections, and 77 percent of the value added by manufacture. Yet, it is in these same metropolitan areas that civil government faces its fiercest challenge with rising crime and delinquency; city schools that are becoming jungles of terror; neighborhoods that are blighted; poverty and disease that are rampant; and gravest of all, with millions of citizens feeling completely alienated from government and the whole concept of liberty with order.

In brief, most of America's wealth and most of America's domestic problems reside in the metropolitan areas. Why then, cannot this vast wealth be applied through vigorous social measures to meet the growing problems? Because the resources exist in one set of jurisdictions within the metropolitan areas and the problems in another. Through a large part of the country this disparity between needs and resources is the disparity between the central city and its suburbs.

Most metropolitan areas are made up of a central city and many smaller units surrounding it. Each of these governments typically has the power to tax and the power to spend for public purposes. Tax bases, therefore, generally follow a parallel pattern of fragmentation with local government boundaries. But the fragmentation generates dangerous fiscal disparities. Increasingly populated by low income, aged, and nonwhite

people, America's central cities are faced with the necessity of spending abnormal amounts per pupil for education and abnormal amounts per capita for such functions as sanitation, law enforcement, and welfare at the same time that their tax bases are being eroded by a continuing exodus of businesses and moderate and upper income people to the suburbs. Since the major source of revenue for most local functions in the United States is the property tax, especially for education, the fiscal disadvantage of the core city is obvious.

Disorderly, Uneconomic and Anti-Social Patterns of Urban Development and Land Use

The overall course of urban development generally has been disorderly, destructive, and distasteful, the deadliness of which has only begun to become apparent in the past decade. It is a product of a relative *laissez faire* in land use—with governmental action, when occurring, being of the wrong kind, at the wrong level, and frequently for the benefit of the wrong social and economic groups. It often has tended to stultify rather than stimulate the forces of private enterprise.

Specifically, government at all levels has been basically passive in the migrational flow of people, in the concentration of industrial development, and in the forging of urban growth policies. Local government activity has been marked by economic competition, exclusionary zoning, and building code anarchy. State governments usually have been indifferent to urban financial and service needs and rarely willing to challenge the local government status quo. The Federal role has been wholly contradictory. On the one hand, Congress enacts areawide planning requirements, strengthens representative regional bodies, adopts programs to assist the rehabilitation of central cities. On the other hand, the Federal-State highway program, FHA's activities, the failure of a fair and uniform relocation policy, and various location decisions of the Department of Defense and other Federal agencies more often than not have collided head on with long term urban development needs.

The result of all this has been to accentuate wrong-way migrational patterns of people and business; to forge a white, middle- and high-income noose around the increasingly black and poor inner city; and to subject much of rural America to a continuing course of gradual erosion.

Timidity of State Government in Grasping the Urban Nettle

As the road to the present urban hell was paved, many major sins of omission and commission can be

ascribed to the States. Cities and suburbs, counties, townships, and boroughs alike are, after all, legal creations of the State. The deadly combination of restricted annexation and unrestricted incorporation; the chaotic and uncontrolled mushrooming of special districts; the limitations upon municipal taxing and borrowing powers; the deliverance of the all important police powers of zoning, land use and building regulation into the hands of thousands of separate and competing local governments—these are but a few of the byproducts of decades of State government nonfeasance and malfeasance concerning urban affairs.

Unbalanced Federal-State-Local Revenue Sources

But the States, as well as the localities, have been laboring under increasing handicaps as more of them strive to meet their responsibilities. The Federal income tax has funded a rapidly rising magnitude of domestic expenditure from the Federal budget since 1950 with actual net decreases in rates over this period. State governments, dependent upon consumption taxes and moderate- to low-rate income taxes, have had to raise rates and impose new taxes time after time in order to keep abreast of increasing educational and other domestic expenditures. Local governments have had to do likewise with property taxes and miscellaneous nuisance taxes. The political landscape has been strewn with defeated Governors, mayors, and county officials who courageously committed suicide at the polls by doing what had to be done to increase the resources of government to meet, in part at least, the escalating service demands from an insatiable (and largely unappreciative) public.

Growth of Functional Government

When Congress, in the 1930's enacted a number of grant-in-aid programs to assist hard-pressed State and local governments in meeting their responsibilities in such costly fields as welfare and housing, there began, concurrently with these programs, the onset of "functional government" in the United States. This new institutional arrangement was characterized by a chain of direct Federal-State-local functional and professional communication—bypassing in many instances the decisionmaking prerogatives of Cabinet officers, the Executive Office of the President, Governors, legislators and county commissioners. Functional government reached its zenith in the mid- and late 1960's when categorical grant programs passed the 400 mark. With each new category and subcategory, a new crop of specialists and

supspecialists was spawned at all levels of government to administer and to propagandize and few, if any, counterbalancing efforts were made to strengthen the position of the departmental secretaries, the Governors, or the mayors. The functional specialists are aided and abetted by private groups—many of them well organized and politically influential—that benefit directly or indirectly from the narrowly focused individual programs.

The program specialists in each aided field typically consult with one another in the formulation of grant regulations. Similar consultations produce draft amendments to existing legislation and draft bills for completely new programs. The bypassing of general political leadership is not so marked at the Federal level because plans of the specialists must receive the approval of Cabinet officers and the Budget Bureau before transmittal to the Congress. In State and local government the story is different—with elected executives and lawmakers being told that a grant is available if matching money can be raised and the accompanying package of regulations adopted. The lure of “50 cent” (or cheaper) dollars is usually impossible to resist.

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These are major factors that have generated an incredible and seemingly insoluble array of difficulties confronting urban America. They reveal a critical institutional lag in our governmental process. Of course, there are highly important factors of attitude, of motivation and of social (and anti-social) behavior which are part of the domestic challenges confronting the country. This volume, and the responsibilities of the Advisory Commission on Intergovernmental Relations, are confined to the governmental and specifically the intergovernmental aspects. There follows an overview of the general nature and direction of Commission proposals over the past nine years directed toward mitigating some of the basic ills of increasingly troubled urban areas.

THRUST OF MAJOR ADVISORY COMMISSION PROPOSALS

Restoring Fiscal Balance in the American Federal System

A massive rearrangement in the scale of fiscal resources available to the three levels of government is absolutely essential if the federal system is to remain viable, because a strong partnership requires each of the partners to be strong, and this condition cannot be met if one partner has the bulk of the resources and the other two have the bulk of expenditures to meet. The rearrangement proposed by the Commission has five key elements:

- **Sharing of a percentage of the Federal personal income tax with States and major localities** (at a beginning level of perhaps \$5 billion annually) and with distribution according to population and tax effort. This would “federalize the Federal income tax.”

- **Assumption by the Federal Government of all costs of public welfare and medicaid** (\$5 billion in additional Federal costs). Welfare has become so interstate in nature and so dominated by Federal policy that only complete Federal financing makes sense.

- **Assumption by State government of substantially all local costs of elementary and secondary education.** (A shift of \$12 billion from the local to the State level.) This would help assure equality of educational opportunity, would release the local property tax for use in meeting growing noneducational costs, would halt much of the existing interlocal competition for industry and would mitigate exclusionary zoning practices directed against large, low-income families.

- **Encouragement of a high-quality, high-yield State tax system through a Federal income tax credit for State income taxes paid** (at a current Federal cost of \$4-6 billion annually). This would provide a strong incentive for more intensive use of the income tax by State governments and for a better integrated State-local tax system resting upon a strong income tax, a strong sales tax and an equitable and productive local property tax.

The cost in Federal revenues for these measures to restore fiscal balance to the federal system would approximate \$15 billion at current levels of expenditure. Federal categorical grants have risen by this amount over the past six years. The Commission's proposals favor a restoration of balance and a strong Federal-State-local partnership in preference to a further willy-nilly massive growth in increasingly narrow categorical grants which already have become a jungle so dense that only the most sophisticated “grantsmen” in State and local government can enter with any confidence.

- **Overhauling the Local Property Tax.** Although cursed and reviled by politician and scholar alike for the past century, the property tax has been and will continue to be the mainstay of local tax revenue and consequently must be made as equitable as possible. Within the context of a newly balanced system of fiscal federalism envisaged by the Commission, all welfare and all or most school costs would be lifted off the property tax so that it would go primarily to support the regular urban services and meet the local share of Federal or State grants for urban development.

Primarily involved in property tax overhaul is a strong State supervisory role, appointed instead of elected assessors, continuing assessment ratio studies to

assure accurate following of the market and full publication of such ratios, enlargement of assessing areas to at least a countywide (or ideally, statewide) basis and establishment of equitable and expeditious appeals procedure.

Achieving greater property tax assessment uniformity is not enough; it also is necessary for the State to construct and finance a tax relief plan that can shield low income families from property tax overload situations and at the same time minimize the drawdown on scarce resources.

Adoption of Explicit National and State Urbanization Policies

Increasingly apparent to political and private sector leadership alike is the necessity for the formulation of some conscious public policies which can accommodate the tremendous scale of urbanization and redevelopment bound to occur over the next few years. To continue to leave this pattern to chance and to competitive and contradicting policies of thousands of local governments is to invite economic and social chaos. The Advisory Commission has proposed a large variety of individual measures at all levels of government to begin to fill this vacuum; they can be summarized as follows:

- **Formulation of a national urbanization policy.** Institutional responsibility would be vested in the Executive Office of the President with an annual urbanization report from the President to the Congress and the people. At a minimum such a policy would assure that individual Federal programs did not operate contrary to national goals. Some possible new components for such a policy are suggested, including financial incentives for industrial location in large city poverty areas and rural growth centers; migration allowances to facilitate population movement from labor surplus to labor shortage areas; preference in the award of Federal contracts to areas to which it is desired to attract population and similar preferences in the location of public buildings and other facilities; expansion of governmental assistance for family planning information to low income families; and initiation of new types of Federal support, under certain conditions, to large scale urban development and to the creation of new communities.

- **Formulation of an urbanization policy by each State.** State urbanization policies would be expected to include components comparable to those suggested for a national policy with the extremely important addition of a State land development agency empowered to acquire, hold, site develop and sell off land to private developers for use in accordance with the State's

urbanization policy and with State, regional and local land use plans.

- **Federal and State action for equitable relocation of People and businesses displaced by governmental activity.** One of the fuses leading to social explosion in urban ghettos has been the ruthless bulldozing of homes and small businesses for highway, urban renewal and other public works projects without adequate provision for relocation. Federal and State legislation is needed to assure the availability of standard housing, prior to the beginning of demolition and to provide adequate financial assistance and advisory services to people being relocated.

- **Increased State role in building regulation.** The States must begin to bring order out of chaos in building codes through such means as State model codes available for local adoption without deviation, by licensing and training of building inspectors, and by State performance of these functions where qualified local personnel are not available.

- **Escalation to county level of local zoning authority.** Authority to zone quite often is a major incentive to governmental balkanization in metropolitan areas and misuse of this State police power by small local units has often resulted in widening fiscal and social disparities between central cities and suburbs.

Civilizing the Jungle of Local Government

Only the State governments have the power to rationalize and render less harmful to orderly urban development the complex array of overlapping local governments that characterizes most of the country's major metropolitan areas. This herculean task requires State constitutional and statutory changes along the following lines:

- **Removing the shackles** that frustrate local efforts to marshal the resources required to meet local needs by clarifying the legal powers of general-purpose local governments, authorizing them to determine their own internal structure, modernizing out-dated means of controlling local government tax and debt levels, and liberalizing municipal annexation procedures.

- **Arming local governments with an "arsenal of weapons"** for meeting the challenges of urban growth by facilitating county consolidation, authorizing counties to perform urban functions and to establish subordinate service and taxing areas, empowering major cities and urban counties to create neighborhood "subunits" of government in order that disaffected citizens may be brought closer to and involved in the process of local government, permitting voluntary trans-

fer of functions between cities and counties, granting authority for intergovernmental contracts and joint service arrangements, encouraging the establishment of metropolitan study commissions, providing for metropolitan functional authorities that offer services requiring areawide handling, and authorizing regional councils of elected officials.

- **Halting the proliferation of special districts and small nonviable units of local government in metropolitan areas.** In the case of tiny localities, this means establishing rigorous standards for the incorporation of new municipalities, empowering State or regional boundary commissions to consolidate or dissolve nonviable units, and revising State-aid formulas to eliminate or reduce aid allotments to local governments that do not meet statutory standards of economic, geographic, and political viability.
- **In the case of special districts,** this means making them harder to form and easier to consolidate or eliminate, increasing their "visibility" and political accountability, and requiring them to coordinate their operations with those of counties and municipalities.

The Federal Government, too, has a role to play in tidying up the local government landscape by modifying Federal categorical aid programs that encourage special districts, by providing Federal incentives for local government modernization in the form of requirements for regional or metropolitanwide review of applications from individual local governments for Federal grants, and by offering bonus percentages in Federal matching for projects tailored to regional rather than strictly local needs.

Curbing the Vertical Functional Autocracy

A common theme associated with many of the Commission proposals is a move away from functional and special purpose governmental institutions toward stronger general purpose government and toward greater reliance upon politically responsible executives and legislators at the Federal, State, and local levels. This theme is characterized by recommendations for revenue sharing and grant consolidation at the Federal level; shortening the ballot and strengthening the planning and budgeting processes at the State level; and curbing and consolidating special purpose districts and authorities at the local level. It also is marked by proposals for reorganization authority for the Governor, for local planning staffs responsible directly to political governing bodies instead of independent commissions and for channeling of State aid funds in such a way as not to

prop up or perpetuate small special purpose units of government.

Finally, the overall theme of stronger legislative bodies also is part of this confrontation with the functional autocrats. The call for periodic Congressional review of grants-in-aid and increased capability of State legislatures in the fields of legislative oversight and State planning, while directed primarily to other objectives, should have the effect of helping ensure that the role of functional specialists is discharged within a governmentwide and agencywide context. Moreover, in order for States to develop their own course of action on urban problems, highly important, complex and controversial legislation must be enacted and continually amended. Yet relatively few legislatures are equipped constitutionally or administratively to do this, although progress in the past few years has been considerable. The Commission's proposals here (paralleling those of several other organizations) call for annual sessions, year-round professional staffing and adequate compensation. Strong legislatures are an absolute prerequisite for strong State government and an effective curbing of program specialists.

All of these steps and more are necessary if the tasks of political leadership and public administration are to be kept manageable. Otherwise each functional category with its hordes of professionals at all governmental levels becomes, in effect, a government unto itself—a vertical functional autocracy.

Massive State Financial and Administrative Commitment to Urban Problems

“ . . . The States are on the verge of losing control over the metropolitan problem; if they lose this control they lose the major responsibility for domestic government in the United States and in turn surrender a vital role in the American federal system . . . ” *Eighth Annual Report, ACIR, January 1967.*

A major part of the Commission's concern since its establishment in 1959 has been to urge an awakening by the States to their inescapable responsibilities for urban affairs, an awakening by the Federal Establishment to the fact that the country simply cannot be run from Washington, and recognition by both Federal and city officials of the inescapable necessity of increased reliance upon those States ready to move ahead on the urban front. Specifically, these actions have been urged:

- **Establishment of State departments of urban or community affairs.** Only by first providing administratively for a continuing concern and activity regarding urban affairs can the State government hope to manage a

large-scale involvement in the problems of its cities. Such departments can also provide a focus of technical assistance to smaller municipalities and counties within the State.

● **Financial underwriting of urban functions.** The States must begin to pay part of the bill for urban redevelopment, housing code enforcement, mass transit, and other major urban functions just as they have been paying for years a part of the bill for State agricultural experiment stations, county agents and rural roads. This, of course, requires a politically painful realignment of expenditure priorities within the State, but until it is done, "one man-one vote" is an empty phrase, and the chance for a strong State role in the American federal system of the future is diminished.

● **Channeling of Federal urban grants through the States under certain conditions.** The Congress and the Federal Executive Branch must become selective in laying down patterns of intergovernmental relations surrounding Federal grants and must stop treating States like New York, Pennsylvania, and California in an identical fashion with less urbanized and underdeveloped States like Alabama, Mississippi, and Wyoming. The Commission has proposed that Federal funds for urban purposes flow through the State where, and only where, two basic conditions are met: the State provides adequate administrative machinery and supplies from State general revenues at least half the non-Federal share of the required funds. If the State chooses not to meet these two conditions, a Federal-local relationship

should obtain with respect to the particular program. If it chooses affirmatively, then the existing Federal-local relationship would be changed to a Federal-State relationship.

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Here then are the major themes underlying the Commission's philosophy of intergovernmental relations in urban areas and its view of ways in which the federal system may be made to work for Urban America. In applying this philosophy, the Commission has recognized that completely new institutions and institutional relationships will have to be forged in the years ahead.

"So, at the beginning of 1969, the Nation continues its search for a New Federalism—dedicated to balance; designed to correct structural, functional, and fiscal weaknesses; and rooted in a vital partnership of strong localities, strong States, and a strong National Government. Federalism, after all, seeks to enhance national unity while sustaining social and political diversity. The partnership approach is the only viable formula for applying this constitutional doctrine to late Twentieth Century America. Yet, this approach can succeed only if all of the partners are powerful, resourceful, and responsive to the needs of the people. The alternative is a further pulverizing of State and local power, and the consequent strengthening of the forces of centralization." *Tenth Annual Report, ACIR, January, 1969.*

Chapter 2

RESTORING FISCAL BALANCE IN THE FEDERAL SYSTEM

References to "the urban fiscal crisis" are commonplace. In practically any issue of big city newspapers there are reports about critical budgetary and tax problems that face the central city and other local governments in the metropolis. One mayor, testifying before the National Commission on Urban Problems in 1967, was only half joking when he observed:¹

Our problems are financial ones. I have sometimes characterized the three major problems as being money, finances, and revenue.

Yet it is nearly as commonplace that major urban areas account for most of the Nation's wealth and income. Metropolitan areas, having but two-thirds of the total population, account for:²

More than four-fifths (82 percent) of savings and loan deposits;

Four-fifths (80 percent) of all bank deposits;

More than three-fourths (77 percent) of the value added by manufacturing;

Three-fourths (75 percent) of all personal income in the Nation;

More than seven-tenths (71 percent) of all retail sales; and

Seven-tenths (70 percent) of all values officially assessed for property taxation.

Personal income per person averages half again more in metropolitan areas than elsewhere in the United States—in 1966, \$3,314 compared with \$2,236 per person.³ Earning rates for various kinds of employment are also typically higher in SMSA's—for example, by 28 percent

for local government employees in 1962, and by 31 percent for manufacturing workers in 1965.⁴

Furthermore, nearly all the Nation's recent population growth has occurred in metropolitan areas, a result of both natural increase and net in-migration.

WHY A LOCAL FISCAL CRISIS?

But if it is clear—as so many measures attest—that metropolitan areas are so typically "better off," it is no less true that most of the problems besetting urban America show up most sharply in these areas. The answer to this seeming paradox is to be found in a growing fiscal imbalance within our federal system—a disorder that is most apparent among the jurisdictions in metropolitan areas in general and in the dire fiscal plight of many of the nation's central cities in particular. This intergovernmental fiscal imbalance is the product of many factors—conditions that either increase the "tilt" or prevent a restoration of balance:

- A progressive political fragmentation of the tax base of most metropolitan areas—a fiscal splintering that places powerful constraints on the ability of local jurisdictions to raise revenue and creates a radical mismatch of resources between the "have" and "have not" jurisdictions within the same metropolitan area.
- Misallocation of responsibility for financing education and public welfare programs—a factor that causes a severe tax overload for many jurisdictions. This year the local tax base will be forced to underwrite over half of the estimated \$32 billion bill for public elementary and secondary education and approximately \$1.5 billion for public welfare costs.
- The constant local revenue crisis caused by the fact that urban expenditure demands and es-

¹National Commission on Urban Problems, *Building the American City* (Washington, D.C.: National Commission on Urban Problems, 1969), p. 362.

²U.S. Bureau of the Census, *Statistical Abstract of the United States: 1968* (Washington, D.C.: 1968), pp. 883-886, 910, and 911; and U.S. Department of Commerce, *Survey of Current Business* (Washington, D.C.: August 1968), p. 32.

³*Survey of Current Business* (August 1968), p. 33.

⁴U.S. Bureau of the Census, *Local Government in Metropolitan Areas*, 1962 Census of Governments (Washington, D.C.: 1964), vol. 5, p. 3; and *Statistical Abstract of the United States: 1968*, pp. 901 and 910.

pecially big city demands consistently outpace both the growth in the nation's income and the "automatic" increase in local taxes.

- A lopsided Federal aid system, under which, despite its steadily growing fiscal superiority, the Federal Government has failed to develop a balanced system of support for State and local government. Heavy Federal emphasis on narrow categorical-type aid has unduly restricted State and local budgetary powers while intensive Federal use of the personal income tax has discouraged effective State use of this prime revenue source.
- Faulty State aid systems that often aggravate rather than compensate for the growing fiscal disparities among local governments within the metropolitan areas.
- A defective local property tax, the shortcomings of which (unequal assessments, regressive incidence and adverse land use effects) become increasingly apparent as local governments are forced to make more intensive use of this levy.
- Limited revenue potential to be derived from local nonproperty taxes and user charges due to the limited jurisdictional reach of local governments coupled with their extreme vulnerability to interlocal competition. These limitations, particularly in metropolitan areas, severely constrict the possibilities of any particular local government from mounting an "operation bootstrap," of which rugged individualists still like to dream.

Countervailing Economic and Political Trends

While each of these factors has made its contribution to the general state of fiscal imbalance, two countervailing trends—one economic and the other political—merit special attention. These trends are reflected most dramatically in two fiscal facts; with each passing year the fiscal supremacy of the National Government becomes more apparent and the fiscal plight of many of America's central cities becomes more desperate. The economic trend—the growing interdependency of the nation—gives the Federal tax collector, equipped with the most productive tax and the broadest geographical reach, the best opportunity to tap the growing affluence of the national economy. The political trend—the progressive subdivision of the metropolitan area into more and still more governmental units—works in precisely the opposite direction. It both constricts the tax reach of the local jurisdictions and saddles the "have nots" (usually the central cities) with enormously disproportionate burdens.

Fiscal Mismatch

To put the urban fiscal problem another way, growing economic unity is inexorably forcing upwards the "revenue cream" generated by our expanding economy. It can be tapped fairly effectively by the States but most effectively by the Federal Government. On the other hand, growing political splintering, based upon popular attachment to local home rule, forces massive and disproportionate expenditure burdens to be borne by a fragmented and defective local property tax base in general and on a severely overloaded central city base in particular.

This growing fiscal imbalance takes on an even sharper focus when given a State government dimension. The more opposition the State throws up against those who would encapsulate themselves and their taxable possessions within suburban jurisdictions and the more willingness the State demonstrates to assume responsibility for financing the high cost intergovernmental programs (such as education), the less threatening becomes the local fiscal climate.

This critical State role is reflected in the sharply contrasting fiscal conditions of two cities—desperate Newark, New Jersey, with the highest local tax rate among the nation's major cities and affluent Honolulu, Hawaii, with the lowest property tax rate (table A-1). Newark's metropolitan tax base is badly sub-divided, the central city population is approximately 50 percent black, and the city's tax base is required to meet most of the cost of public education and a relatively large share of welfare costs. In contrast, there is virtually no splintering off of the Honolulu metropolitan tax base, and the State underwrites almost all the cost of public education and welfare.

Fiscal Consequences

The worst features of the mismatch of needs and resources are now clearly apparent in the growing social, economic, and fiscal disparities among local jurisdictions in the great metropolitan areas of the Northeast and Midwest. At one extreme are the "big losers"—usually the central cities—"stuck" with an extremely anemic tax base and confronted with rapidly mounting expenditure demands incident to the governing, educating and "welfare" an increasing proportion of relatively poor, black families. At the other extreme are the "big winners"—those white suburban jurisdictions wealthy enough to be able to underwrite a superior public educational system with a below average tax effort.

The Political-Fiscal Dilemma

The ultimate cause of this radical mismatch of needs and resources is political—State and Federal policy-makers are unable to muster sufficient support necessary either to prevent this head-on collision of economic and political forces or to provide sufficient compensation for damages to the local victims. This inability to engineer consent, in turn, can be traced to a political-fiscal dilemma. A strong tradition of local home rule ordinarily blocks any attempt to bring needs and resources into better alignment via the administrative centralization approach—i.e., creation of a metro-type government or the shifting of all responsibility for certain high cost functions such as education or welfare to the State or National Government. On the other hand, popular support for a “Puritan” ethic that discourages the divorce of tax and expenditure responsibility ordinarily stands in way of a “fiscal” decentralization solution—i.e., the transfer of Federal funds to State and local government on a “no strings” basis or for State assumption of virtually all the responsibility for financing education while leaving wide policy discretion in the hands of local school boards.

POLITICAL BALKANIZATION OF THE METROPOLITAN AREA

Prior to the great post-World War II exodus of the middle and upper income families to suburbia, our system for governing urban America appeared to conform to Aristotle’s view of the “most perfect” way to shield the community from the perils of political extremism.

“In every city the people are divided into three sorts: the very rich, the very poor and those who are between them . . . The most perfect political community must be amongst those who are in the middle rank, and those states are best instituted wherein these are a large and more respectable part, if possible, than both the other; or, if that cannot be, at least than either of them separate; so that being thrown into the balance it may prevent either scale from preponderating.”⁵

Within the city’s boundary were found the relatively few rich, the preponderate middle class, and the poor who often lived on “the other side of the tracks.” The great cities of America, however, were more than social “melting pots.” They were also balanced economically

in the sense that they encompassed within their boundaries, virtually all of the urban area’s residential, commercial, and industrial development.

Because they possessed social and economic unity, our municipalities were also generally characterized by fiscal balance. The municipality’s “deficit” areas—the low-income residential areas—were offset by the “surplus” areas—the high tax producing districts associated with the central business area, the industrial section, and the high income residential neighborhoods.

By far the most important social function performed by the great “balanced” municipalities was political in the Aristotelian sense—that of keeping the public peace by moderating the competing demands of the various classes that comprise the urban body politic.

The Rise of the Lopsided Communities

In many of our metropolitan areas the twin forces of urban expansion and social segregation have combined to burst the shell of the old “balanced” community and in the process have profoundly altered the social and political character of the urban municipality. Whereas the old municipality was socially and economically balanced, the new municipalities are “lopsided,” i.e., the wealthy estate and industrial enclaves and the upper, middle and lower income bedroom communities. While the sprawling and subdivided metropolitan area still has a central or “core” city, typically it is becoming smaller, poorer and blacker when compared to the burgeoning economy of white suburbia.

The political leadership of the old “balanced” municipality was under constant pressure to blur and moderate the conflicting demands of the urban rich, poor and middle class. In contrast, the leaders of the new “lopsided” municipalities are virtually forced by their narrow-gauged constituencies to sharpen and reinforce the divisive elements within our uptight urban society.

This political transformation becomes even more ominous because our highly decentralized system of government historically has relied almost entirely on the cohesive powers of the municipality to hold together the highly segregated components of our urban population. Moreover, the nation has leaned heavily on the local tax base in general and the property tax in particular for financing its domestic needs. It is ironic that the political balkanization of our urban areas occurs in the face of a growing need for social cohesion in an increasingly interdependent society.

The tendency for metropolitan areas to split politically along their income and racial seams is most apparent in the Northeast and Midwest, and least

⁵ Aristotle, *Politics*, Book IV, Chapter XI, pp. 126-127. Madison advanced essentially the same thesis in *The Federal Papers*, Number 10.

noticeable in the Southwest. More and more rare in the Northeast quadrant of the United States, is the large city that still encompasses within its boundaries most of the residential areas occupied by the white middle class let alone those of the wealthy. In striking contrast stand Houston, San Antonio, and Phoenix. Their vigorous annexation policies may be prompted by the spectacle of the older Eastern cities slowly being choked to death by the "white noose" of suburban municipalities.

Grim Fiscal Outlook for Central Cities

A few successful annexations, however, cannot mask the grim fiscal prospects for most of the nation's great cities. The findings of a recent Advisory Commission study of metropolitan fiscal disparities clearly substantiate the widespread belief that most of our major cities are now in a desperate situation.

1. The central cities, particularly those located in the industrial Northeast and Midwest, are in the throes of a deepening fiscal crisis. On the one hand, they are confronted with the need to satisfy rapidly growing expenditure requirements triggered by the rising number of "high cost" citizens. On the other hand, their tax resources are increasing at a decreasing rate (and in some cases actually declining), a reflection of the exodus of middle and high income families and of business firms from the central city to suburbia.
2. The concentration of high cost citizens in the central city is dramatically underscored by public welfare statistics. For example, 27 percent of Maryland's population is located in Baltimore, yet 72 percent of Maryland's AFDC expenditures is to be found in that city. By the same token, Boston, with 14 percent of Massachusetts' population, accounts for 40 percent of that State's AFDC expenditure.
3. A clear disparity in tax burden is evident between central city and outside central city. Local taxes in the central cities are 7.5 percent of income; outside the central cities only 5.6 percent of income. Higher central city taxes are reinforcing the other factors that are pushing upper income families and business firms out of the central city into suburbia.
4. On the educational or "developmental" front, the central cities are falling farther behind their suburban neighbors with each passing year. In 1957 the per pupil expenditures in the 37 metropolitan areas favored the central city slightly—\$312 to \$303 for the suburban juris-

dictions. By 1965, the suburban jurisdictions had forged far ahead—\$574 to \$449 for the central cities. This growing disparity between the central city and suburban school districts takes on a more ominous character in light of the fact that the central city school districts must carry a disproportionately heavy share of the educational burden—the task of educating an increasing number of "high cost" underprivileged children. Children who need education the most are receiving it the least!

5. On the municipal service or "custodial" front, the presence of "high cost" citizens, greater population density, and the need to service the needs of commuters force central cities to spend far more than most of their suburban neighbors for police and fire protection and sanitation services. The 37 largest central cities had a non-educational (municipal) outlay of \$232 per capita in 1965—\$100 greater than their suburban counterparts.⁶

The situation for most central cities takes on an even more dismal cast because there is little prospect for a *voluntary* solution arising from within the metropolitan area. Suburban political leaders can generally be counted upon to oppose stoutly any proposal that would call for a significant redistribution of resources such as an area-wide tax with a strong equalization twist to aid the central city. By the same token, suburban leadership can be expected to view with a jaundiced eye any major redistribution of burdens, i.e., the rezoning of suburban land to permit low income central city families to obtain public or low cost housing in suburbia.

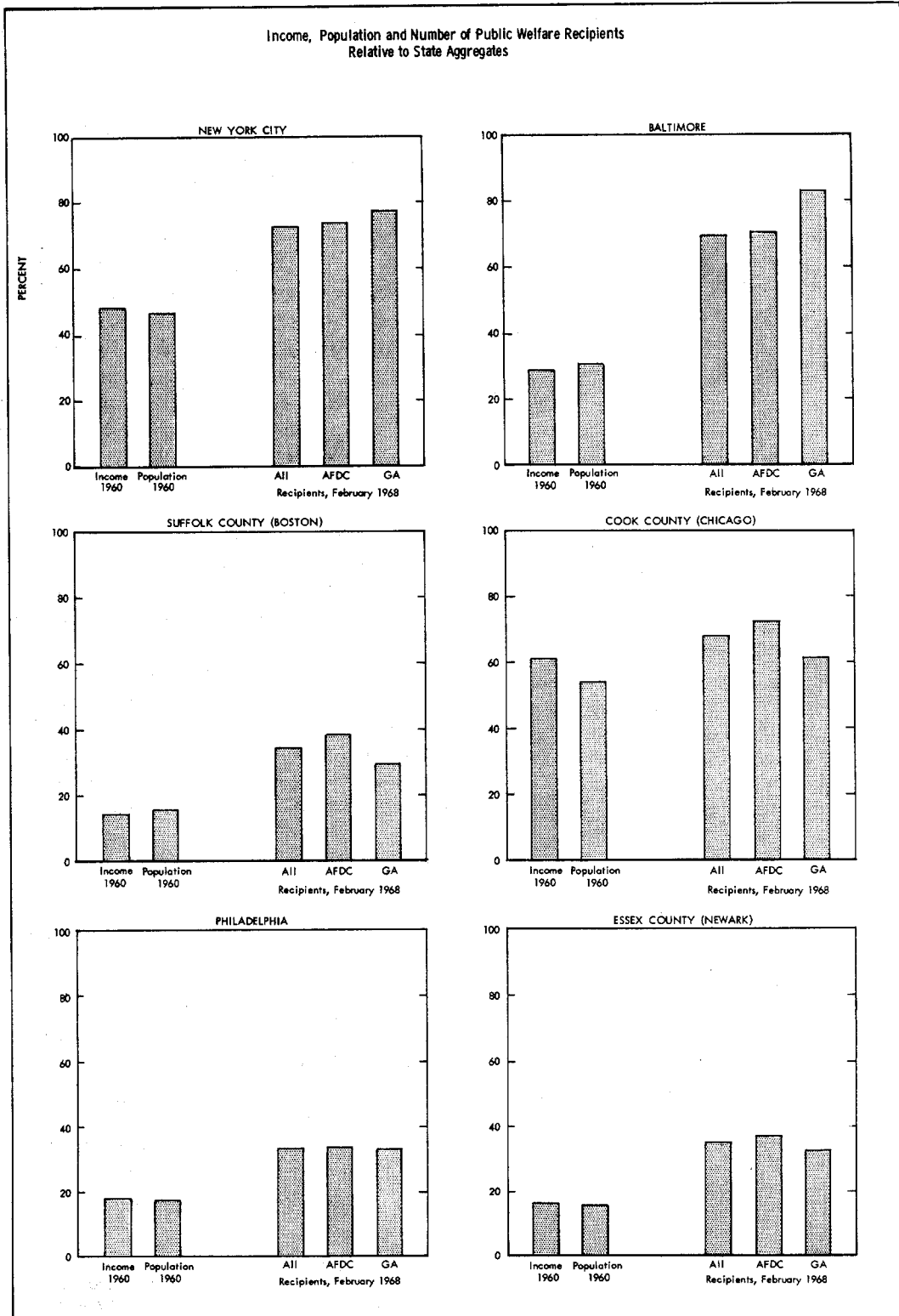
Cracks in Suburbia's Picture Window

Comparing the fiscal behavior of the central city with the entire suburban area, however, tends both to obscure and to distort the disparity story because it lumps together diverse suburban jurisdictions. Anyone familiar with the fiscal landscape of suburbia is keenly aware of the fact that it does not present a uniform picture of affluence. On the contrary, suburbia fairly bristles with contrasts between rich, poor, and middle income jurisdictions.

In most metropolitan areas, the range between the most affluent and impoverished suburban jurisdiction is considerably greater than that between central city and

⁶This analysis was conducted by Professor Seymour Sacks of Syracuse University and appears as a part of the Advisory Commission's study *Fiscal Balance in the American Federal System* (A-31; October 1967), Vol. 2.

FIGURE 1
Public Welfare Contributes Significantly
to "Urban Pathology"—Some Extreme Cases



Source: Table A-17.

suburbia in general. For example, elementary school districts in Cook County, Illinois, reveal a range of about 30-to-1 in their property tax base per pupil in 1964 and various studies have reported ranges of 10-to-1 or more in the per capita tax base of municipalities within various metropolitan areas.⁷

Because they lack a diversified tax base, most of the lower to middle income residential suburbs can also expect a steady deterioration in their fiscal prospects.

There is evidence which indicates that, as the suburban expansion grows, it is increasingly the lower middle class white collar worker and the blue collar worker who is fleeing the central city for suburbia, giving increasing rise to the demand for suburban development which caters to the economic capabilities of these groups. The composite of these trends all seems to indicate that the newly developed suburban community of the future will be developed with tax bases which fail to provide adequate fiscal capacity for the support of municipal and educational services.⁸

A Few Winners and Many Losers

Because the concept of local fiscal disparities is of necessity a relative matter, the political splintering of Urban America along income and racial lines produces its share of municipal winners as well as losers. While difficult to measure with precision, it nevertheless appears possible to detect several gradations along the disparity spectrum ranging from the big winners at one end (i.e., Scarsdale, New York, and Lake Forest, Illinois) to the big losers at the other end (Newark and East St. Louis). Most metropolitan communities can be placed in one of five categories:

1. **Highly disadvantaged**—A community that falls far short on the public service side even though it makes an extraordinary tax effort.
2. **Disadvantaged**—A community that must make an extraordinary tax effort to break even or provide an average level of public service.
3. **Balanced**—A community that can bridge the gap between resources and needs by providing an adequate level of service with an average tax effort.

⁷Dick Netzer, *Economics of the Property Tax* (Washington, D.C.: Brookings Institution, 1966), pp. 24-25. See also, Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, Vol. 2, Appendix D.

⁸James M. Banovetz, W. John Pembroke and Peter J. Fugiel, "Fiscal Disparities in the Chicago, Illinois Metropolitan Area," in *Fiscal Balance . . .*, Vol. 2, p. 243.

4. **Advantaged**—A community that can provide a superior level of service with an average tax burden.
5. **Highly advantaged**—A community that can provide a superior level of service with a minimal tax effort.

If most or all of the communities within metropolitan areas fell in the "balanced" category there would be little cause for concern with the fiscal health of the nation's cities, or little need for State and National governments to enact fiscal equalization measures. But that is not the case. Serious widespread disparities do exist. Many of the largest central cities are in the "highly disadvantaged" category. And some of these disparities continue to grow.⁹

Beggar Thy Neighbor

Ever mindful that no community within the metropolitan area "stands still" in relation to its neighbors, local policymakers are under unremitting pressure to adopt a highly aggressive policy in order to maintain or obtain a favorable competitive position. As it enters the metropolitan arena, each governmental unit has three prime weapons—the power to tax, the power to spend, and the power to determine land use.

This fiscal contest among municipalities in the same metropolitan area might be described as the local Tax and Zoning Game. In order to hold down education costs, suburban legislators are under strong temptation to use a low density approach to residential zoning. Although the one-acre suburban lots can be denounced as an example of "snob" or restrictive zoning, they are also hailed as an act of local financial prudence—the only sure way of placing a lid on school costs and property tax rates. The zoning of great stretches of suburban land for commercial and/or light industrial purposes is another example of fiscal zoning. There is always the hope that a large share of the local tax burden can be exported to neighboring communities by snagging the giant shopping center, the industrial research park or the massive public utility installation. In brief, the name of the game is cutthroat intergovernmental competition, and the object of the game is to "zone in" urban resources and to "zone out" urban problems.

Operating under a logic that goes back to the Domesday Book of William the Conqueror, each autonomous principality has the unchallenged and exclusive right to protect and to exploit all taxable resources within its domain. While this "winner take all" philos-

⁹*Ibid.*, p. 2.

ophy makes good sense in terms of the old "balanced" community, it takes on a harsh and inequitable color in a sprawling metropolitan area inhabited by aggressive and lopsided governmental units. One jurisdiction can reap all the tax benefits of an industrial location while the neighboring communities are often required to pay the costs of educating the children of the new employees.

"Staying in Line": An Exquisite Tax-Expenditure Calculus

Local policymakers competing in a metropolitan arena are keenly sensitive to inter-community tax rate differentials. There is a constant fear that an above average tax rate will act as a powerful deterrent to economic development within the local jurisdiction. While this fear may be exaggerated, the local concern for a "competitive" tax position is very real; it cannot be dismissed as foolish.

The effect of local tax differentials upon industrial location within a metropolitan area was underscored in a recent Advisory Commission report.

The relative importance of the tax differential factor in industrial location decisions appears to increase as the location process narrows down to a particular jurisdiction within a general region. As among regions of the country, the non-tax factors such as access to markets and to labor and comparative transportation and supply costs stand out as the primary location considerations. As between neighboring States, there appears to be no direct relationship between industrial growth and tax differentials due largely to the fact that States are careful not to get "too far out of line" with their immediate neighbors. As among local governments within a State and especially within a metropolitan area, tax differentials exert discernible plant location pull—the industrial tax haven stands out as the most conspicuous example. *In almost every metropolitan area there exists wide local property tax differentials—a cost consideration that can become a "swing" factor in the final selection of a particular plant location.*¹⁰

Because of the desire to "stay in line," the relatively low level of taxation that is possible in the more affluent

jurisdictions tends to serve as a brake on higher taxes throughout the metropolitan area. This braking action takes place despite the fact that higher taxes may be urgently needed in other jurisdictions.

Inter-community fiscal competition, however, is not restricted to the tax side of the equation. "Staying in line" with neighboring jurisdictions also forces each municipality and school district to re-examine constantly its expenditure policies.¹¹ Whereas municipalities are fearful lest their tax rates become too high, they also are concerned lest their public service standards in general and their education standards in particular fall too far below those set by their neighbors. This keen concern for maintaining a competitive educational position often results in local school boards being played off against one another when it comes time to negotiate revised pay scales for teachers.

The fortunate fiscal position of the more affluent jurisdictions within the metropolitan area, therefore, creates a bitter dilemma for their less well endowed neighbors. The below average tax rates of the affluent jurisdictions provide aid and comfort to those persons advocating a tough, "hold-the-line" tax position. On the other hand, the high educational standards of the more fortunate jurisdictions provide heavy ammunition to those persons advocating larger appropriations for the schools.

Caught in this crossfire, the policymakers in the less fortunate jurisdictions must attempt to frame both a tax policy that will underwrite a "fairly decent" brand of public services and an expenditure policy that will not force taxes to "confiscatory" levels—a painfully exquisite form of political-fiscal calculus.

TOO LITTLE AND TOO LOPSIDED THE STATE AND FEDERAL AID RESPONSE

In theory at least the States and the National Government—armed with superior fiscal resources—could have intervened and radically reduced local fiscal tensions. They could have responded to the challenge created by the widespread collapse of the balanced municipality and the rise of the lopsided metropolitan jurisdiction by rifling high-powered aid on the basis of need and local fiscal capacity into the coffers of the most "disadvantaged" localities and school districts.

Poor State Equalization Performance

In practice, there is little evidence to suggest that State and Federal aid combined has materially slowed

¹⁰ Advisory Commission on Intergovernmental Relations, *State-Local Taxation and Industrial Location* (A-30; April 1967), pp. 78 and 79. (Underscoring added)

¹¹ *Ibid.*, p. 79.

down (let alone reversed) the forces working to increase metropolitan fiscal disparities. On the contrary, there is considerable evidence to suggest that State school aid and tax sharing policies in particular have had the effect of throwing gasoline on the fires. Federal mortgage insurance, highway and other grant-in-aid policies have had an equally incendiary effect. In addition, so-called "impact aid" to school districts often has tended to widen fiscal and social disparities in urban education.

Because of little or no explicit recognition of educational and municipal overburdens, most State aid programs increase the central city-suburban educational resources gap. By the same token, the not uncommon State practice of sharing a part of its tax receipts with local government on the basis of taxpayer residence also both promotes the cause of metropolitan political splintering and increases the gap between the "have" and "have not" communities.

One of the dramatic illustrations of this anti-equalization effect is found in Wisconsin's present system for sharing personal income tax receipts with its municipalities. In 1966, the high income residential suburbs in the Milwaukee metropolitan area received a \$100.94 per capita share of the State personal income tax compared to \$18.62 for the central city of Milwaukee and \$18.47 per capita share for the area's low income residential suburbs.¹² In order to provide a slim fare for its poorest jurisdictions Wisconsin has to set out a banquet for its richest municipalities!

To the extent that State and Federal aid programs have equalizing effects they are usually indirect—the by-products of a specific program designed to help poor people rather than direct results of programs designed to find and to help poor local jurisdictions *per se*. Because the poor increasingly tend to cluster together in the same municipality within a metropolitan area, any State or Federal program with a direct poverty orientation is bound to have an inter-local equalization effect, albeit of an indirect nature.

It may also be argued that any Federal program designed to prevent indigency also has a beneficial and indirect equalizing effect on local and State finances. In this case the Federal social insurance program—OASDI—must be cited as an important force working in the right direction.

Nevertheless, even after all of the State and Federal programs with the most indirect equalization effects are thrown on the scales, the fact remains that outside financial help has not come in sufficient magnitude to turn the fiscal tide for the nation's hard pressed central cities.

¹²*Fiscal Balance . . .*, Vol. 2, p. 305.

Financing Education and Public Welfare: Misallocation of Financial Responsibility

In addition to chalking up a rather poor equalization record, most of the States have demonstrated little interest in assuming primary responsibility for the financing of education. As a result, the local property tax base will be forced this year to underwrite slightly more than one-half the cost of the nation's \$32 billion elementary and secondary school program—a function that long ago lost most of its local character.

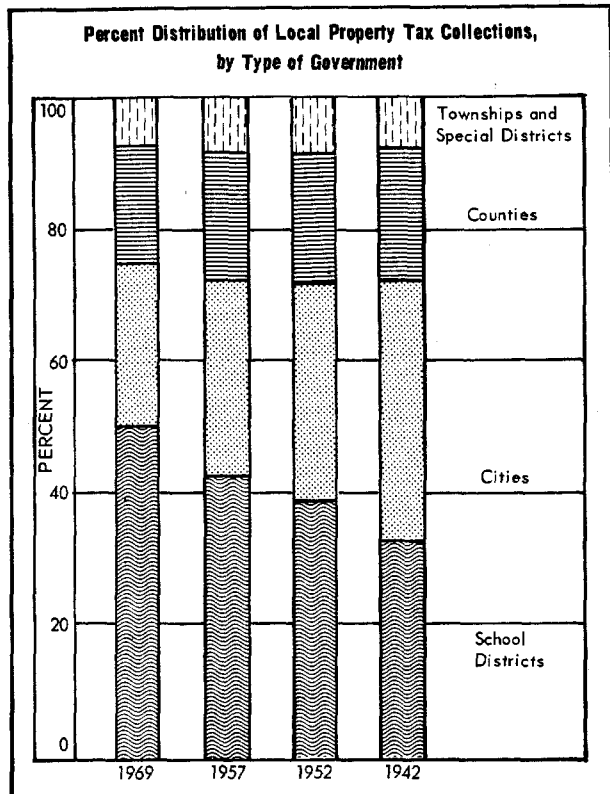
Slowly but surely the claims of public education are driving other local or municipal-type demands—i.e., police, fire—to the fiscal wall. Prior to World War II, about 33 percent of the total \$4 billion tax collection went to the educators; this year more than 50 percent of estimated \$31 billion property tax collection is earmarked for education. To put the issue more sharply, the school boards are pushing the municipalities and counties off the property tax preserve. In many suburban districts, the property tax has virtually become a school tax with as much as 75 cents of every property tax dollar going for education. In fact, the quality of local education is often largely determined by the accidents of local property tax geography.

In a number of States, the local property tax is still required to underwrite a considerable part of the non-Federal share of public welfare. As a result, the local tax base will produce approximately \$1.5 billion for this purpose in 1969—a most flagrant example of misallocation of financial responsibility.

If most States have fallen short on the education front, the same can be said about the National Government's role in financing public assistance programs. Despite the vastly superior fiscal resources of the National Government, and in the teeth of mounting evidence that only a truly national welfare program can distribute costs and benefits equitably across the land—despite all of this, State and local governments were required to pick up almost half of the nation's \$10 billion welfare tab in 1968. The Congress which lost little time in 1965 in enacting the Medicaid program (actually it was developed and added onto Medicare with but a very few weeks for legislative consideration) has been slow indeed to admit and react to the tremendous pressures the program has placed upon State treasuries. Many State officials have with much validity termed the action of the Congress in this field the height of intergovernmental fiscal irresponsibility.

The ultimate, however, in the misallocation of financial responsibility among levels of government is to be found in the grim spectacle of a regressive and heavily overburdened local property tax (Newark's) being forced

FIGURE 2
School Systems are Laying Claim to an Ever-Increasing Share of the Local Property Tax



Source: ACIR computations based on data from the Bureau of the Census.

to underwrite a substantial part of the cost of its own extra heavy public welfare case load.

By forcing a limited and defective local revenue system to produce almost \$18 billion for public education and welfare, the States and the Federal Government not only intensify the urban fiscal crisis with a vengeance, they also turn the logic of federalism upside down. In theory, the superior revenue system of the States and the National Government should reinforce the limited revenue capabilities of local government but in practice the opposite situation obtains. The local property tax is forced to serve as the general backstop for State and Federal programs!

Lopsided Federal Aid System

While State sins of omission have been largely responsible for the proliferation of lopsided municipalities across the metropolitan landscape, Federal sins of omission and commission have created a massive but lopsided \$25 billion aid program to State and local governments. Whether measured in terms of the number

of grants, their dollar magnitudes or their effects on intergovernmental relationships, Federal categorical grants-in-aid have had near explosive growth since 1963. The number of separate grant authorizations has skyrocketed from 161 in 1962 to 429 in 1969.

The impact of Federal aid on State and local government over the past two decades has been felt most acutely by Governors, State legislative leaders and budget officers. The increasing number of grant programs, they insist, has led to greater Federal interference in their administrative and policy roles and the later grants have tended to be less stimulative and more coercive in their impact.

Refreshingly, for the health of the American federal system, there has also been a growing recognition at the national level of problems associated with manageability and administration of a large number of narrowly defined categorical aids, with a frank admission by tax officialdom and even some of the Federal bureaucracy that the country really can't be run from Washington!

A hard look at the Federal aid system reveals a second major deficiency: a failure to sort out clearly the basic purposes for which the National Government should extend aid to State and local governments. The classic objectives of fiscal aid—equalization, stimulation, demonstration and general support—are not clearly differentiated under the present aid system. In the Commission's view, the need is urgent to sort out these basic aid objectives, to introduce a greater degree of "flexibility" into the entire aid system.

Just as the growing number of lopsided municipalities reflects the inability of most State legislative bodies to contain the explosive power of urban expansion within the shell of the balanced municipality, so also the growing number of narrow categorical grants clearly reflects the inability of the Congress to harness its rapidly expanding fiscal power in behalf of federalism—a system of shared powers. Just as the political integrity of the nation's first line of domestic defense—the municipality—clearly is jeopardized by metropolitan growth so also the political integrity of federalism's second line of defense—the States—clearly is threatened by the growing fiscal superiority of the National Government and the Federal failure to develop a balanced system of support.

If States are to move forward, to assume primary responsibility for financing education and to develop effective aid programs for local government, their fiscal powers must be strengthened. An ever growing number of Federal categorical grants with detailed expenditure strings attached will not do the job and State vulnerability to interstate tax competition places powerful constraints on their revenue raising capabilities. Clearly States must be permitted to tap the Federal income tax

flow if they are to play a key role in financing the growing needs of an urbanizing America.

THE LOCAL GOVERNMENT REVENUE GAP

Given the general slicing up of the urban tax base, a third rate revenue system, and the task of financing most of the school bill, it is not surprising that the demands for public services simply outstrip the growth of revenues in the nation's cities, counties and townships.

With a population growing both in numbers and in concern for the quality of life, local governments throughout the nation have sharply increased their spending—from \$14.8 billion in 1950 to \$59.5 billion in 1966-67. Part of these increased expenditure requirements are, of course, financed from "outside" sources by intergovernmental transfers from Federal and State governments. Even so, the proportion of local government expenditures financed by these upper governmental levels has increased quite modestly during the postwar period—rising from 30.0 percent in 1950 to only 34.2 percent in 1967 (table 1). Thus two out of every three dollars of local expenditure still are raised through local taxes.

Table 1—Proportion of Local General Expenditures Financed From "Outside Sources," Selected Years, 1950-1967
(Dollar Amounts in Millions)

Year	Local General Expenditures	Local Intergovernmental Revenue	
		Amount	as percent of general expenditures
1950	\$14,754	\$ 4,428	30.0
1952	17,444	5,281	30.3
1957	26,729	7,664	28.7
1962	39,831	11,642	29.2
1967	59,101	20,188	34.2

Source: U.S. Bureau of the Census, *Historical Statistics on Governmental Finances and Employment*, 1962 Census of Governments Vol. VI, No. 4; and 1967 Census of Governments, Vol. VI, No. 5.

With the exception of some large central cities and urban counties, the sole significant tax source of local governments is the property tax. Currently yielding about \$31 billion, the property tax has withstood periodic waves of critical assault and continues to be the mainstay of local finance. Despite its revenue productivity, one of the limitations of the property tax is that the "automatic" revenue increase barely keeps pace with economic growth while expenditure demands increase faster than economic growth. This then is the genesis of the yearly dilemma facing local policymakers—how to close next year's budget gap? To do so, these officials have had to seek new tax sources and to raise rates on

existing levies. As a result, local revenues from own sources have absorbed an increasing proportion of personal income—rising from 5.1 percent in 1950 to 6.6 percent in 1967.

There are many reasons underlying the rapid rise in local government expenditures. Like most of the private sector, these governments entered the postwar years with a large backlog of expenditure needs. At the same time, forces associated with national economic development and growth have been operative. In the main, such forces have included a rise in prices, growth in population, urbanization and suburbanization of the country, expanding opportunities and requirements generated by technological advance, rising incomes and standards of living and increased responsibilities undertaken by governmental authorities. Although it is difficult to specify the particular influence that each of these factors has had on the growth of local expenditures, it is clear that these are the forces of the future as well as of the past.

The urban dimension of the local fiscal problem is particularly acute both because these urban governments are required to perform public services of a wider range and more intense degree than their rural counterparts but also because of the sheer size that many urban units have attained. Continuing migration from farm to city has accelerated the need for additional police and fire protection as well as for added water and sewage facilities. And the more densely populated the urban centers become, the more complicated and expensive it is to provide these services. Furthermore, the recent acceleration in movement from city to suburban communities has forced state and local authorities to meet comparable needs in these newly developed areas, without eliminating the need for services in the center city where the population is, by and large, also still rising.

Size Makes A Difference

The size of the local government has also been found to affect per capita expenditures and employment even after other relevant determinants were accounted for. The number of people or city size may be directly related to expenditures per capita and employment levels either because population size leads to diseconomies of scale or because it makes more or better public services necessary or feasible. Diseconomies can emerge as a city expands beyond its "optimal" size and enters that part of the expenditure or employment curve where unit costs or labor needs increase with additional numbers. Alternatively, population size may lead to economies of scale in the provision of certain public

services as costs are spread over a larger number of people, thereby reducing unit costs.

The Commission's analysis of local government spending and employment in Ohio, New Jersey and Texas suggested that for cities of 25,000 to 250,000 population, size more often than not had no casual effect on per capita spending and employment. Despite this result for smaller cities the effects of population size showed up clearly for larger municipalities. By comparing average expenditures and employment in small vs. larger cities it appeared that for most functions of a typically local nature the larger municipalities spent or employed more per capita.¹³

Property Tax Defects Become Tax Brakes

The call for property tax relief has become more strident as the average residential property tax burden has gradually increased from approximately 2.5 per cent of household income in 1960 to an estimated 4 per cent in 1969. The growing dissatisfaction with the property tax reflects the classic indictment of this levy.

1. It imposes a heavy burden upon housing—a form of consumption that is essential and socially desirable.
2. It places a greater burden on poor households in relation to their income, than upon more affluent ones.
3. It is a difficult tax to administer as legally intended; that is with all taxable property tapped uniformly in relation to its value.

From a regressivity standpoint this levy takes its heaviest toll among the elderly homeowners. An estimated 3 million of the nation's 26 million homeowners now turn over more than 10% of their total household income to the local residential property tax collector. Pulling the regressive stinger and securing greater assessment uniformity stand out as dual priority items in any effort to overhaul the property tax.

RESTORING FISCAL BALANCE

Two great goals—decentralized decision-making and the equitable distribution of the costs and benefits of domestic government—challenge any effort to secure fiscal balance in our federal system. Add to this perennial dilemma the remarkable political, social and economic diversity to be found across the land and it becomes readily apparent that there is no sure-fire formula for fiscal salvation in our federal system.

¹³ Advisory Commission on Intergovernmental Relations, *Urban and Rural America: Policies for Future Growth* (A-32; April 1968), p. 52.

Nevertheless, it is becoming apparent that believers in the federal system will have to take certain corrective actions because two powerful and closely related forces—urbanization and growing economic interdependence—are making it increasingly difficult to reconcile the twin goals of governmental decentralization and fiscal equity.

With each passing day the growing economic interdependence of the nation enhances the fiscal and tax superiority of the National Government. This fact and the predisposition of the Congress to attach detailed expenditure strings to its grants threaten the goal of decentralized decision-making. On the other hand, the forces of urbanization have burst municipal boundaries in most areas leaving in their wake glaring fiscal disparities among jurisdictions within the same metropolitan area. The political splintering along income and racial lines is akin to giving each rich, middle class, and poor neighborhood the power to tax, spend, and zone. Such decentralization of power can and does play hob with the goal of social justice.

In those metropolitan areas where the forces of urbanization have ruptured the local governmental shell, it is becoming increasingly apparent that federalism's second line of defense—the States—will have to take on many of the classical political and fiscal functions once performed by the old balanced municipality.

ACIR Recommendations—A Summary

The Advisory Commission's proposals for restoring fiscal balance call for strong positive action by both Federal and State governments:

- To insure an equitable distribution of the costs and benefits of public elementary and secondary education and public welfare by broadening the geographic base of support for these two programs. Specifically this involves:
 - As a long-range objective, State assumption of virtually all of the cost of financing public elementary and secondary education.
 - National Government assumption of complete financial responsibility for public assistance, including medicaid.
- To harness the growing fiscal power of the National Government in behalf of our system of shared power, the Commission, in its report on *Fiscal Balance in the American Federal System*, has called for the development of a balanced program of Federal support for State and local governments that includes:
 - Federal revenue sharing with State and local governments.

- Streamlining of the Federal categorical aid system.
- To expedite the development of an effective and equitable State and local revenue system:
 - Federal income tax credit for State income tax payments.
 - Balanced State use of income and sales taxes.
 - Property tax rehabilitation.
- To enable the States to play a key role in equalizing local resources, State aid programs should:
 - Take account of variations in local fiscal capacity.
 - Develop "a systems approach" to State grants to local government.

BROADENING THE GEOGRAPHIC BASE TO SUPPORT EDUCATION AND PUBLIC ASSISTANCE

Education—A State Responsibility

The U.S. Supreme Court, in its unanimous 1954 decision on school segregation (*Brown vs. Board of Education*) made the following observation:

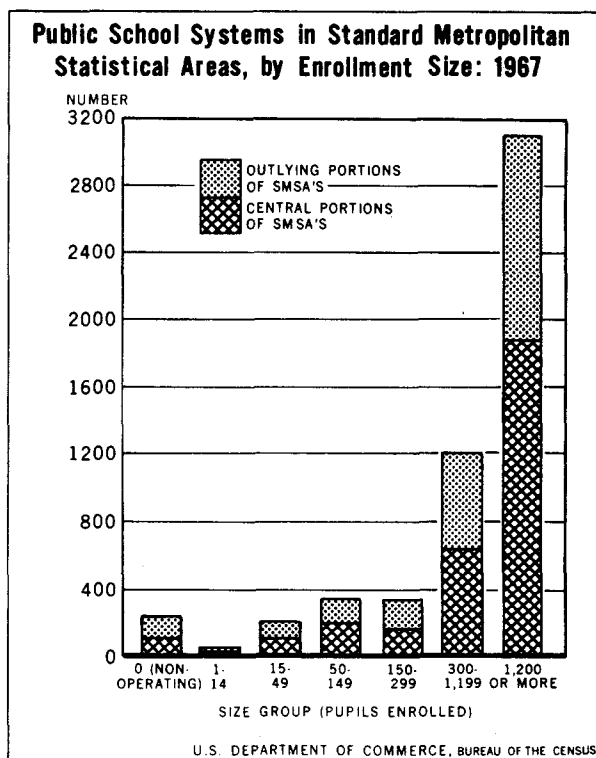
Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditure for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education.

Education ranks second only to national defense in terms of total public spending—Federal, State and local. It is by far the most costly *domestic* function of government. Expenditure for public elementary and secondary schools is now at a rate of about \$35 billion a year, and makes up nearly half of all local government spending. Because of the pressure of other public service needs in metropolitan areas, a somewhat lesser share of all governmental spending in such areas is devoted to schools, but even there educational costs typically average about 40 percent of the total. Metropolitan areas

have nearly two-thirds of all the pupils enrolled in American public schools—in 1966, more than 29 million out of 44 million students. The public school systems in these areas employ 2 million people, or somewhat more than the number engaged in all other local government functions combined.

In most metropolitan areas school administrative patterns contribute significantly to the problems of local government proliferation and layering. Of the nearly 21,000 local governments in metropolitan areas as of 1967, about 5,000 were independent school district units, while only about 500 public school systems in SMSA's operated as part of a county, municipal, or town government. Less than one-fourth of all the metropolitan area school systems were geographically coterminous with any other government. The central cities of metropolitan areas were served by 509 school systems, of which four-fifths were independent districts and less than one-third were geographically coterminous with either the central city or the entire county in which they were located.

FIGURE 3



There has been a material reduction in numbers of school districts within metropolitan areas, as elsewhere: the count in SMSA's dropped from 7,000 to 5,000 between 1962 and 1967, while districts outside SMSA's were being reduced from 28,000 to 17,000. Never-

theless, many small units continue; more than 40 percent of the school systems in metropolitan areas had fewer than 1,200 pupils in 1966—i.e., typically involving communities with a total population of under 5,000 each.

In some instances there is even a dual layering of school districts, with separate units to the elementary and high school grades. This helps to account for the multiplicity of local governments in such areas as Cook County, Illinois, which contained 150 school districts in 1967, as well as 315 governments of other types.

Toward Equalization of Educational Opportunities and Burdens: Children Needing Education the Most Receiving the Least

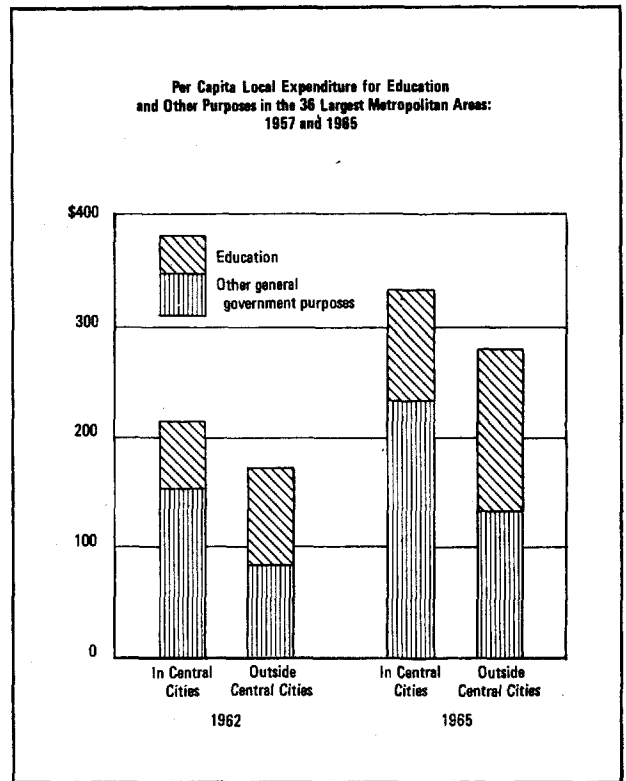
The failure of traditional financing arrangements to deal fairly and effectively with public school needs in metropolitan areas was vividly disclosed in the Commission's report on metropolitan fiscal disparities.¹⁴ Examining educational expenditure in the 37 largest SMSA's, the Commission found that per capita spending averaged 30 percent less within the central cities than in outlying parts of these areas: \$99 as compared with \$141 per capita (Figure 4). Furthermore, the gap had been rapidly increasing; in 1957, central-city spending had been below that of outlying territory by only \$18 per capita, or 24 percent.

Some of this disparity can be traced to high levels of new school construction in suburbia, and some to the fact that outlying territory typically has a larger part of its total population enrolled in public schools. But even with these factors eliminated, when a comparison is made of *current* public school expenditure *per pupil*, the 1964-65 figures show a suburban average 28 percent higher than that of the central cities. And this differential also had increased: essentially comparable data for 1959, covering most of the same areas, showed relatively little difference between central cities and suburbia in current school spending per pupil. The direction of disparity was also highly consistent: only 2 of the 37 largest SMSA's showed current school spending per pupil lower in suburbia than in the central city in 1964-65.

The Commission summarized this situation in its Ninth Annual Report: "It is the paradox of education in metropolitan America that where the needs are greatest, the resources are scarcest; the children needing education the most are receiving the least!"

The Commission's study also showed that State aid for local schools in 1964-65 averaged somewhat more per pupil, and materially more per capita for the

FIGURE 4



suburban parts of these major metropolitan areas than for their central cities. The difference between the two comparisons, of course, results because the cities generally have a somewhat smaller proportion of their total population attending public schools. The per-pupil difference results partly from a common feature of State "equalizing" grants which tends to work against very large school systems (including those of the central cities), relative to smaller ones, unless the plan is so generous that even the best-off units qualify for some equalizing aid. Affluent pockets in large districts bolster their calculated tax base per pupil, which the State grant is designed to supplement. However, pockets of high fiscal capacity that raise some small suburban school districts above the minimum capacity level needed to qualify for aid are not, of course, taken into account in computing the grants that go to other suburban school districts in the same metropolitan area.

In considerable degree, the central cities' "have not" situation in educational spending reflects their far higher costs for other public services (averaging \$232 per capita for the central cities in 1964-65, as compared with \$132 per capita for noneducational purposes in outlying parts of the major metropolitan areas). This "municipal overburden," together with the relative and growing disadvantage of the central cities as measured by levels

¹⁴ *Fiscal Balance . . .*, Vol. 2, p. 10.

of personal income, severely limits their capacity for school financing. At the same time, however, since the metropolitan central cities usually have a disproportionate share of disadvantaged children who particularly need enriched school offerings, any reasonable evaluation of relative public school "requirements" in dollar terms would call for greater spending within central cities than in suburbia. Yet, as the figures reviewed above indicate, exactly the reverse has been taking place and there is every prospect—in the absence of a major shift in the assignment of responsibility for public school financing—that the resulting disparity of educational offerings within metropolitan areas will continue to widen.

The Commission has made a number of specific recommendations to deal with this critical situation. Although aimed broadly at a single set of consistent objectives, they reflect the Commission's awareness that one or another of various alternative approaches may be especially applicable to conditions in a particular State. But these several proposals, as adopted at various times, also reflect increasingly urgent concern for the persistent inequalities of educational opportunity and resources which show up most strikingly in metropolitan areas. Thus, the Commission has contemplated both early action to improve existing fiscal arrangements and more far-reaching steps toward fundamental change in recommending that:

- States authorize regional or county taxing districts to provide most of the local financing for schools in metropolitan areas;
- States overhaul their school-aid formulas to equalize educational and municipal "overburdens" more effectively; and
- States, as a long-range objective, move to assume substantially all responsibility for financing public schools.

Regional Taxing Districts

In some States, as noted, public schools are already administered by countywide systems. However, the typical metropolitan area has more than a dozen school systems per county, differing widely in their financial capacity and, thus, in the tax rates they must impose for an acceptable educational program. Well-designed equalizing State grants are one way to overcome the resulting disparities; reorganization of school administering units into considerably larger and less fiscally diverse areas is another. The device suggested here is still another, which may in some instances be more feasible than drastic restructuring, even though from a financial standpoint it would operate in a similar direction.

Specifically, the Advisory Commission has suggested State legislation to help deal with the problem of fiscal disparities in metropolitan areas by:¹⁵

...authorizing an appropriate State agency to mandate the establishment of county or regional school property taxing districts...where school financing has not already been placed on a countywide or regional basis.

Something of a precedent for such action exists in several States, which provide for countywide taxes to be imposed for school purposes, allocable to individual districts on a formula basis. Generally, however, these supply only a small part of all local educational financing and the allocations are usually made on a crude per-pupil basis that includes no allowance for special-need factors. The Commission's proposal looks toward a more basic adjustment, whereby the bulk of any local taxation for school purposes would be provided on a regional or countywide basis, even though actual school administration would continue to be handled by smaller units.¹⁶

Equalizing Educational and Municipal Overburden

State fiscal aid for public schools can be broadly grouped as providing either "flat-grants" or "equalizing" aid. Flat grants deal uniformly across the board, without regard to the fiscal capacity of the aided school system—e.g., providing a certain amount per pupil, or a certain proportion of particular costs. "Equalizing"

¹⁵ *Fiscal Balance* . . . , Vol. 2, p. 9; Governor Rockefeller dissented.

¹⁶ A draft bill has been prepared to carry out this recommendation. It provides that: (1) The Governor order the formation of a metropolitan educational equalization authority for the urbanized portion of any metropolitan areas where there is a marked disparity among school districts in the relations between fiscal capacity and educational needs, as shown by various specified indicators; (2) The authority consist of a member designated by each of the school district boards; (3) The authority levy an areawide property tax sufficient to yield the total amount needed to meet the minimum local support requirements for all the individual districts under regular State school aid provisions; (4) The authority adopt a formula for distribution of the resulting tax proceeds among the districts which takes account of certain specified need characteristics; (5) If the authority cannot devise a formula acceptable to members representing districts with a preponderance of total pupil enrollment, the distribution shall be made according to a formula specified in the law; (6) If the authority can agree on an acceptable formula, regular State-aid allocations for individual school districts shall also be paid to the authority for similar distribution; (7) Individual operating districts would continue to have power to levy their own additional taxes for school purposes. See *1970 Cumulative ACIR State Legislative Program* (M-48, August 1969), Code 61-40-00.

grants may be of various types, but commonly they involve a payment that makes up the difference between the yield of some specified rate of local property tax and a State-specified measure of local need, such as a certain number of dollars per pupil, per teacher, or per "classroom unit."

During the several decades that such equalizing grants have evolved, they have gradually been expanded and refined. This process has especially involved the upward adjustment of the "foundation support" levels to be guaranteed (the amounts per pupil, teacher or classroom), and improvement of the "local effort" part of the formula. For example, many earlier provisions that measured effort in terms of the tax applied to assessed valuations have been changed to take account of assessment differences, with effort now measured more equitably according to the tax rate that applies to some approximation of real taxable value.

But these improvements have been far from universal. In many States the "guaranteed" foundation level of support is considerably below that needed to insure an adequate school program even under average circumstances. And above all, relatively few States have built into their major grants any significant allowance for the additional costs—the educational overburden—that should be met if something approaching real equality of educational opportunity is to be provided for disadvantaged children—those for whom the schools need to provide enriched offerings to compensate at least partially for serious inadequacies in background and home environment. In the absence of any provision in State aid formulas for such additional requirements, there is either a public failure to approach effective equalization of educational opportunity or else the costs involved fall especially upon central cities and other communities that have a higher-than-average proportion of disadvantaged children.

Furthermore, as already noted, this extra burden is commonly associated with considerably greater requirements for other public services in large cities, which limit their capacity to provide reasonably comparable school offerings throughout the State—the municipal overburden.

Several Commission recommendations, with increasing urgency and explicitness, have dealt with these conditions by urging:

... that each State make a critical review of its present school grant formula to insure that it provides for an educational level below which no community should fall and that it contains factors designed to measure as accurately as possible local tax effort and diverse educational requirements (e.g., taking into ac-

count higher per pupil costs in slum areas), and to reflect such measurements in the allocation of aid funds.¹⁷

... that States add to their school aid formulas appropriate factors reflecting higher costs per pupil among disadvantaged as compared to advantaged children... [and that Congress amend] the Elementary and Secondary Education Act of 1965 to authorize the utilization of otherwise available Federal funds for incentive grants to States that make such revisions in their school aid formulas.¹⁸

... States that have not assumed substantially full responsibility for financing education... construct and fund a school equalization program so as to extend additional financial assistance to those school districts handicapped in raising sufficient property tax revenue due to the extraordinary revenue demands made on the local tax base by city and county jurisdictions.¹⁹

The Elementary and Secondary Education Act of 1965 ("ESEA") marked recognition by the Federal Government of the special educational needs and costs associated with disadvantaged children. Under Title I of the Act, approximately \$1 billion has been made available annually, to be allocated through the States for public school use in areas having a high concentration of low-income families. Availability of these funds has undoubtedly helped to offset a part of the great disparity of public school spending between central cities and suburbia. But far larger amounts would be needed to close the gap completely, much less to reverse the comparative relationship. Hence the pressing need for restructuring State aid provisions, to help redress the imbalance by taking account of the additional costs of compensatory education for deprived children and the impact of the "municipal overburden" on local school financing in urban centers.

Before the passage of ESEA, the Office of Education could identify only three States—California, New York, and Massachusetts—that were making any investment in compensatory education for socially deprived children. By the end of 1967, that Office reported that

¹⁷ Advisory Commission on Intergovernmental Relations, *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs* (A-25; January 1965), p. 125.

¹⁸ *Fiscal Balance* . . . , Vol. 2, p. 12.

¹⁹ Advisory Commission on Intergovernmental Relations, *State Aid to Local Governments* (A-34; April 1969), p. 20.

another 9 States had followed suit.²⁰ In most instances, however, these programs are only supplementary—they are not directly built into the States' principal school-aid formulas. Moreover, the amounts involved (some \$200 million in fiscal 1968) represent a very small proportion of all State grants for public schools. Thus, considerably more widespread and significant action is needed to accomplish the basic restructuring of State aid provisions which the Commission has urged in the four recommendations just described.²¹

State Assumption of Responsibility for Substantially All School Financing

In light of an exhaustive study of State Aid to Local Government, the Advisory Commission concluded that in the long run substantially all the non-federal financing of elementary and secondary education should be shifted from the local property tax to the superior tax resources of the State governments.

Local school taxes have played an important role in the widespread rise in local property taxation. The share of local property tax revenue going to education has grown from one-third to over one-half in the past 25

²⁰The 9 States were: Connecticut, Illinois, Maryland, Michigan, Nebraska, Ohio, Pennsylvania, Washington, and Wisconsin.

²¹Draft bills have been prepared to implement these recommendations. See *1970 Cumulative State Legislative Program*.

years (table 2). By taking over most of the financing of elementary and secondary education, the States would be able to take *direct* action to deploy school funds in accordance with needs. The support of local educational programs would no longer depend on the accidents of local property tax geography. The bleeding off of taxable resources from the declining city to the increasingly affluent suburb would no longer be relevant to their educational programs. The opportunity for a high quality education would be available to all residents of the State in substantially equal measure—regardless of the locality in which they happened to live.

Thus, in taking a close look at education and welfare financing in 1969 the Commission took a major step toward the objective of restoring fiscal balance in the federal system by proposing a shift of substantially all financial responsibility for education from local government to State government, stating:

In order to create a financial environment more conducive to attainment of equality of educational opportunity and to remove the massive and growing pressure of the school tax on owners of local property, the Commission recommends that each State adopt as a basic objective of its long-range State-local fiscal policy the assumption by the State of substantially all fiscal responsibility for financing local schools with opportunity for financial enrichment at the local level and assurance of

Table 2—Education has Displaced General Local Government As the Chief Claimant for Local Property Tax Dollars

Fiscal year	Distribution of local property tax collections by type of government					
	All local governments	School districts ¹	Primary units of general local government			Townships & special districts
Total ²			Cities ²	Counties ²		
Amount (millions)						
1942	\$ 4,347	\$ 1,429	\$ 2,571	\$1,696	\$ 875	\$ 347
1952	8,282	3,246	4,351	2,711	1,640	685
1957	12,385	5,307	6,052	3,678	2,374	1,026
1967	25,418	12,433	11,006	6,295	4,711	1,979
1969 est.	31,500	15,800	13,480	7,720	5,760	2,220
Percent						
1942	100.0	32.9	59.1	39.0	20.1	8.0
1952	100.0	39.2	52.5	32.7	19.8	8.3
1957	100.0	42.8	48.9	29.7	19.2	8.3
1967	100.0	48.9	43.3	24.8	18.5	7.8
1969 est.	100.0	50.2	42.8	24.5	18.3	7.0

¹Includes est. amounts allocable to dependent city and county school systems.

²Excludes est. amounts allocable to dependent school systems.

Source: ACIR staff compilation (including 1969 estimates) based on U.S. Bureau of the Census data.

retention of appropriate local policy-making authority.²²

Four States (New Mexico, North Carolina, Delaware, and Louisiana) are within striking distance of this goal. The governor and the leaders of both parties in the California legislature have proposed action approaching the goal in that State. Hawaii, lacking a tradition of local control, has gone beyond this limited objective and assumed complete responsibility for both the financing and operation of schools. Thus, a recommendation for State assumption of complete responsibility for financing education is not utopian or academic; it deals with the "here and now."

The Commission emphasizes that the long-range goal of substantial State financing need not be a wrenching experience; that while budgetary considerations may well dictate the gradual rather than immediate substitution of State income and sales tax dollars for local property tax receipts, there is evidence to suggest that perhaps as many as 20 States could assume complete responsibility for public school financing immediately if they were willing to make as intensive use of personal income and sales taxes as the "top ten" States now make on the average.

While calling for State assumption of "substantially all" responsibility for school financing, the Commission assumes that there would be a limited opportunity for local enrichment of the educational program. However, failure to circumscribe the amount of local enrichment—by limiting it to 10 percent of the State grant, for example—would undermine its two-fold objective—"to create) a fiscal environment more conducive to educational opportunity and (to relieve) the property tax base of most of the school finance burden."²³

Public Assistance—A Federal Responsibility

In early 1969 the Commission addressed itself to one of the other major elements in "the urban fiscal crisis": the financing of public assistance.

About 9 percent of all expenditure by State and local governments is for public welfare—mainly public assistance and related medical assistance programs. Despite the generally high and rising level of economic activity in recent years, public assistance costs have been mounting. Between 1960 and 1967, when total State-local expenditure rose by about 80 percent, public

assistance expenditure more than doubled. Nation-wide, about half these costs are financed from State and local government revenues, with the balance covered by Federal grants. However, the Federally-provided proportion of all public assistance ranges widely: from 76 percent in Alabama and Georgia to about 41 percent in New Jersey and New York.

A big element in the recent rapid growth of public assistance expenditure, as broadly defined, has been the "Medicaid" program, which mainly accounts for the increase in medical vendor payments by State and local governments from less than \$700 million in 1961 to an annual rate of about \$4.5 billion at the end of 1968. This program finances medical care not only for individuals so needy as to qualify for cash public assistance but also for persons who are somewhat better off, but "medically indigent" in terms of prescribed standards.

The second main factor in the growth of public welfare spending has been the rising scale of the program for aid to families with dependent children (AFDC). Expenditures for this program have nearly tripled in the past 8 years, to an annual rate of about \$3 billion at the end of 1968. For all other public assistance programs, the rise has been considerably less—from \$1.7 to \$2.7 billion, with most of this resulting from the upward adjustment of per-person payments in response to increased living costs. The largest of these other programs, old age assistance (OAA), has actually shown about a ten percent decline in number of recipients during the past eight years, despite the increase in the total number of elderly persons in the nation. Much of this trend, like the even larger decline in OAA recipients that had occurred previously, took place because the Federally-administered system of Old Age, Survivors and Disability Insurance (OASDI) now affords support to a much larger proportion of elderly people.

Aside from the recent development of "Medicaid," the various public assistance programs that operate through State and local governments largely took shape in the mid-30's. Under the Federal Social Security Act adopted then, the National Government undertook to assist in financing public assistance to four defined types of needy people—the elderly, dependent children, the blind, and the totally disabled. However, no Federal sharing was provided for public assistance to needy people falling outside these particular categories; the entire cost of any such so-called "general assistance" was left for financing by State and local governments. Also, while certain standards and procedural requirements were authorized for the various Federally-aided "categorical" programs, no corresponding standards exist for general assistance.

²²*State Aid . . .*, p. 14; Governor Daniel, Congressmen Fountain and Ullman and County Commissioner McDonald dissented. Senator Mundt abstained.

²³Suggested State legislation (1970 Cumulative . . . , Code 16-12-00) has been drafted to implement this recommendation.

**Table 3—Total Public Assistance Expenditures, by Source of Funds,
and Recipients and Monthly Payments for Selected Programs,
Selected Years 1950 to 1968**
(Dollar amounts in millions, except monthly money payments)

Item	1968	1965	1960	1955	1950
Expenditures for year					
Total	\$9,881	\$5,868	\$4,039	\$2,940	\$2,489
By source:					
Federal	5,245	3,179	2,055	1,441	1,096
Percent	53.1	54.2	50.9	49.0	44.0
State	3,296	1,958	1,459	1,110	1,128
Percent	33.4	33.4	36.1	37.8	45.3
Local	1,341	732	525	389	265
Percent	13.6	12.5	13.0	13.2	10.6
Selected Programs:					
Old age assistance	1,991	2,179	2,015	1,686	1,511
Aid to families with dependent children ¹	3,007	1,991	1,131	684	560
Medical assistance ²	3,408	-----	-----	-----	-----
General assistance	535	454	491	330	363
Number of recipients of money payments ³ (000)					
Old age assistance	2,019	2,087	2,305	2,538	2,786
Aid to families with dependent children ¹	5,609	4,396	3,073	2,238	2,233
General assistance (cases)	356	310	431	314	413
Average monthly money payments ³					
Old age assistance	68	63	58	50	43
Aid to families with dependent children	170	137	105	86	71
General assistance (per case)	93	69	67	55	47

¹ Includes the children and/or both parents, or caretaker other than a parent in families where the needs of such adults were considered in determining the amount of assistance.

² Prior to the enactment of "Medicaid," medical and hospital vendor payments were included in the basic categorical programs.

³ As of December, except 1968 as of June.

Note: Beginning October 1950, includes Puerto Rico and Virgin Islands, and beginning 1960, Guam. Number of recipients and average monthly payments exclude vendor payments for medical care (i.e., payments made directly to suppliers of medical care) and cases receiving only such payments. Total expenditures for year include vendor payments for medical care and expenditures for administration, services, and training.

Source: Department of Health, Education, and Welfare, Social and Rehabilitation Service.

There is considerable interstate variation in both the scale of public assistance expenditure and the way responsibility for non-Federal financing is divided between the State and local government levels. In about half the States the most costly programs are directly State-administered, with little or no local share in their financing. Elsewhere local administration applies, but with a varying degree of State support to supplement Federal aid. Consequently, the State share of all public assistance costs that are not Federally-financed ranges from 100 percent—or nearly that much—in a few instances to less than 40 percent in several States.

Even the States that administer or substantially help to finance the Federally-aided "categorical assistance" programs, often play a far lesser role with regard to general assistance. Some States do not participate at all; in a handful, the State government foots the whole bill; in most others, a major part of the load falls upon local government. Furthermore, many States have set no guidelines or standards for local provision of general

assistance, which might help to insure some reasonable degree of comparability and adequacy in the aid so provided. To rectify this condition, the Commission recommended in 1965 that State governments finance at least half of the cost of general assistance, and that they prescribe specific standards for such aid where its administration is left to local governments.²⁴

Federal financing of public assistance. Since 1965, public welfare costs have continued to mount rapidly, and the many serious flaws in existing arrangements for public assistance and its financing have become even more glaringly evident. The Commission in 1969 concluded:²⁵

²⁴ *Metropolitan Social and Economic Disparities . . .*, p. 126. Since 1965, at least three States—Maine, Massachusetts, and New Jersey—have provided for a greater State role.

²⁵ *State Aid . . .*, p. 16; Congressmen Ullman and Fountain, State Senator Knowles, and County Commissioner McDonald dissented; Senator Mundt abstained.

... that maintaining a properly functioning and responsive public assistance program as presently operating is wholly beyond the severely strained financial capacity of State and local government to support. The Commission therefore recommends that the Federal Government assume full financial responsibility for the provision of public assistance. The Commission further recommends that the States and local governments continue to administer public assistance programs.

These recommendations are designed to relieve inequities of resource capacity among the levels of government and apply until such time as Congress and others shall determine a more efficient and appropriate method of welfare administration applicable to the complex social problems of our time.

The main thrust of this recommendation is to relieve State and local governments of an onerous financial burden. However, as indicated by the concluding portion, the Commission is keenly aware of the most widely criticized aspects of traditional public assistance: its tendency to discourage efforts toward increased self-support by those aided persons who might obtain gainful employment. This criticism has little relevance to the many people on assistance rolls who are so physically or otherwise handicapped, or so completely tied down by parental duties, that they could not take on paying jobs. But for those who are potentially employable, the usual public assistance arrangements operate like a 100 percent income tax, since any earnings are fully deducted in calculating the aid to be provided—surely a strong disincentive to efforts at self-support! (Recent amendments to the AFDC program, to take full effect in 1969, reduce the marginal “tax” rate to 67 percent.) Further, the person with a chance for a paying job that would cut or end his public aid can reasonably fear that, if he later loses the job, he might face uncertainty and delay in again getting needed assistance. It is little wonder then that traditional forms of public aid, at least for potentially employable people, are so widely charged with tending to promote continuing dependency.

Fiscal Implications. The Commission’s recommendation, while implicitly recognizing this problem, is more directly addressed to the fiscal burdens and other undesirable aspects of public assistance as now in operation. If the Federal Government were to assume the entire cost of existing public assistance programs (including Medicaid), State and local governments would be relieved of nearly \$5 billion of their present financing load. Nation-wide, about two-thirds of this benefit

would go to the States, and about one-third to local governments. Where much of the load is now carried locally—and this includes some of the most urbanized States, such as California, New York, and New Jersey—local fiscal burdens would be very significantly lightened.

The proposed type of action undoubtedly would operate to narrow the present gap between aid for needy people who do not qualify for help under any “categorical assistance” programs and for those who do. With partial Federal participation in financing of categorical programs, there is a strong incentive for States and local governments to bias their own welfare dollars in the direction of the Federally-aided programs (where they will typically be supplemented by from one-half to three times as many Federal dollars), and to neglect and underfinance “general assistance.”

Full Federal funding undoubtedly also would raise the level of aid in areas where it now is tragically below any reasonable standard of need, even with full allowance for the other resources of those receiving aid. The figures in table 4 illustrate the wide interstate range in average payment levels for various assistance programs. A local-area comparison would disclose even wider disparities.

**Table 4—Average Monthly Payment Per Aided Person
October 1968**

Program	U.S.	Number of States		
		averaging at least \$60	Highest State	Lowest State
Old Age assistance	\$69	32	\$115 (N.H.)	\$36 (Miss.)
Aid to the blind	91	47	140 (Calif.)	45 (Miss.)
Aid to the disabled	82	43	129 (Iowa)	44 (Miss.)
Aid to families with dependent children	42	3	66 (N.Y.)	9 (Miss.)
General assistance	45	5*	68 (Utah)	4 (Ark.)

Source: *Social Security Bulletin*, vol. 32, no. 2, January 1969, p.4.

*Data not available for 9 States

Such differences among States and local areas in program benefits and eligibility requirements work in a perverse direction. Areas unable or unwilling to provide a minimum level of public assistance compatible with actual need are likely to find their share of caseloads diminishing while areas that do meet this obligation find their welfare rolls expanding rapidly. Between 1959 and 1967, the 10 States with the highest per-case payments under the AFDC program experienced a 149 percent increase in caseload, or twice the average nationwide rate of increase. Meanwhile, Puerto Rico and the 9 States with the lowest level of AFDC payments experienced a

caseload growth of only 11, percent, so that their share of the national total fell from 30 to 19 percent.²⁶

These developments were related to broader shifts in population and economic activity, and it would surely be to conclude that large numbers of people have migrated with the deliberate expectation of "going on welfare" somewhere else. In fact, during the 1959-67 period, most of the States, as a condition for assistance eligibility, applied minimum local-residence requirements which would surely dampen any such expectations (in April 1969, the U.S. Supreme Court outlawed such residence requirements). Nonetheless, with public assistance as now provided and financed, differences in program benefits both among and within States undoubtedly distort the distribution of both individuals and businesses from what it would be in the absence of such variations: needy people are encouraged to move to or remain in "generous" jurisdictions, and businesses and better-off people have an added incentive to locate where taxes for welfare purposes may be lower.

Thus, because of their limited jurisdictional reach and their economic competition, State and local governments are inferior agencies to finance public welfare. Furthermore, they rely heavily upon property and sales taxes, which generally hit the poor harder than those better off; in contrast the Federal Government depends mainly upon progressive personal income taxation. The use of State and local revenues to provide for costly income-redistributing purposes such as public assistance is thus particularly questionable and economically inefficient.

Except where States have entirely relieved local governments of any share in the financing of public assistance (a relatively unusual situation), the existing arrangements often contribute to the disadvantaged position of central cities and counties of metropolitan areas, where welfare needs tend to be concentrated. This is illustrated by Advisory Commission data for each of the 50 counties that include cities of over 250,000 population. In two cases out of three, these areas show a higher proportion of general assistance recipients, and in three cases out of four show a higher proportion of general assistance payments, than their respective proportions of total statewide population. Similar extra loads were found also for the individual "categorical" aid programs (table 5). If it were possible to narrow such

Table 5—Percent of the Counties Containing 50 Largest Central Cities with Disproportionate Public Assistance Programs

Program (Feb. 1968)	Percent of 50 counties containing a larger relative share of welfare recipients or payments than of:	
	Population (1960)	Income (1960)
Total Recipients	54	46
Total Payments	54	44
Aged, Blind and Disabled Recipients	26	22
Aged, Blind and Disabled Payments	30	22
AFDC Recipients	60	50
AFDC Payments	70	58
General Assistance Recipients ¹	64	52
General Assistance Payments ¹	74	69

¹ Calculated for fewer than 50 counties as some did not have this program or because data were not available.

comparisons down to the central metropolitan cities, considerably higher relative concentrations of public assistance would undoubtedly be found. For example, New York City, with less than half of the State's population and income, has about three-fourths of the State's welfare recipients and public assistance costs.

In sum, then, the assumption by the Federal government of responsibility for full rather than only partial financing of public assistance would materially ease the urban fiscal crisis and, particularly in States where much of this burden must now be borne locally would reduce the unfortunate effects of the prevailing geographic mismatch between social needs and available fiscal resources.

Upward Shift of Educational and Welfare Financing—Combined Fiscal Effect

The combined effect of transferring substantially all educational financing to the States and all public assistance financing to the Federal Government for the nation as a whole would be to relieve local budgets of \$13 billion and to add \$9 billion to State government revenue requirements (table A-2). These calculations, which relate to 1967, assume an immediate rather than a phased State assumption of elementary and secondary school financing. With the solitary exception of Hawaii, local governments would find their financial responsibilities diminished while States would find their fiscal needs augmented. The magnitudes differ vastly among the States and localities reflecting, as they do, the widely disparate State-local financial patterns presently existing.

²⁶ *New York Times*, October 4, 1968, p. 28, reporting a study by the Citizens Budget Commission of New York. The 9 States with lowest payment levels were: Mississippi, Alabama, Florida, South Carolina, Arkansas, Texas, Georgia, North Carolina, Missouri. The 10 States with the highest payment levels were: New York, New Jersey, Connecticut, Massachusetts, Illinois, Minnesota, Wisconsin, Iowa, North Dakota, Hawaii.

To meet their expanded revenue needs, State governments would undoubtedly have to tap the freed-up taxpayer capacity made available by the local government tax relief. Presumably, State income and sales tax revenues would replace local property tax dollars to a significant extent—a desirable achievement in itself. Even so, the combined State-local tax requirements, in 1967, would have been reduced by about \$4.0 billion. Thus the taxable capacity is there, though extensive changes in State tax programs would be required for the States to recapture a portion of the freed-up tax capacity. Further, assistance by the Federal Government in the form of revenue-sharing with States and localities and the long-range nature of the State assumption of the education objective serve to assure the Commission that the financial shifts called for are attainable goals.

CREATING A MORE BALANCED FEDERAL AID SYSTEM

In meeting their fast-mounting public expenditure needs, States and local governments have benefited by both the marked expansion of Federal grants-in-aid and Federal action that does not operate through intergovernmental payments. The latter includes (1) provision for old age and survivors insurance which has vastly curtailed the extent of poverty that otherwise would have added to the "public assistance" load; and (2) economic policies that have contributed to a sustained period of rising production and income, and thereby to the growth of the State-local tax base.

In dollar terms, Federal aid to State and local governments, estimated at \$25 billion for fiscal 1970, has roughly doubled in the past five years, almost quadrupled in the past decade, and multiplied tenfold in the past twenty years. Because of the rapid rise in State-local expenditure and own-source revenues, the growth of Federal grants is less striking—though still significant when measured in relative terms, climbing from 12 percent of all State-local general revenue a decade ago to 15 percent five years ago, and about 18 percent now (table 6).

The Advisory Commission has dealt with various aspects of the Federal grant-in-aid system, ranging from studies of the broad implication of equalization formulas and planning requirements to the specifics of particular functional areas such as mass transportation, water and sewer grants and the war on poverty. None, however, has as significant a bearing upon the allocation of resources to deal with metropolitan problems as does one far-reaching recommendation in *Fiscal Balance in the American Federal System*. That recommendation calls

Table 6—Federal Aid in Relation to State-Local General Revenue, 1958-1970

	Federal aid (millions)	As percent of State-local general revenue
1958	\$ 4,935	12.0
1959	6,669	14.6
1960	7,040	13.8
1961	7,112	13.2
1962	7,893	13.5
1963	8,634	13.7
1964	10,141	14.8
1965	10,904	14.8
1966	12,960	15.7
1967	15,240	16.7 ¹
1968	18,599	17.8 ¹
1969 estimate	20,813	17.9 ¹
1970 estimate	25,029	2 ²

¹ Estimate.

² Data not available.

Source: U.S. Bureau of the Budget, *Budget of the United States, 1970*, Special Analysis O, Jan. 1969.

for a broader and more flexible system of Federal grants to State and local governments by (1) adding to the present package a general support (revenue-sharing) grant and (2) simplifying the categorical grant system through the consolidation of existing grants. The full text reads as follows:²⁷

The Commission concludes that to meet the needs of twentieth century America with its critical urban problems, the existing intergovernmental fiscal system needs to be significantly improved. Specifically, the Commission recommends that the Federal Government, recognizing the need for flexibility in the type of support it provides, authorize a combination of Federal categorical grants-in-aid, general functional block grants, and per capita general support payments. Each of these mechanisms is designed to, and should be used to, meet specific needs: the categorical grant-in-aid to stimulate and support programs in specific areas of national interest and promote experimentation and demonstration in such areas; block grants, through the consolidation of existing specific grants-in-aid, to give States and localities greater flexibility in meeting needs in broad functional areas; and general support payments on a per capita basis, adjusted for variations in tax effort, to allow States and localities to devise their own programs and set their own priorities to help solve their unique and most

²⁷ *Fiscal Balance . . .*, Vol. 1, pp. 5 and 6.

crucial problems. Such general support payments could be made to either State or major local units of government if provision is made for insuring that the purposes for which they are spent are not in conflict with any existing comprehensive State plan.²⁸

Adding General-Support Payments— “Revenue-Sharing”

While some States provide general-support grants to their local governments, and some other countries provide them to their local or provincial governments, such action by the United States Government would be a new departure. Nonetheless, pointing to the pressing financial needs of State and local governments, the constraints under which they operate, and the superior capability of the Federal tax system, the Commission finds the case compelling “for Federal general support payments to State and local governments on a per capita basis adjusted for variations in tax effort.”²⁹

The Commission did not spell out a detailed plan to implement this recommendation. It referred, however, to problems involved in the so-called “pass-through” issue—i.e., as to means for assuring that local governments (and particularly, hard-pressed major cities) would benefit directly or indirectly through such a system of “no strings” aid.³⁰

The potential early benefit of such a new system of Federal general support grants for the financing of local government in metropolitan areas would depend upon various factors, including the total sum provided, and treatment of the “pass-through” issue—i.e., the participation of local governments or major urban governments. On both counts it is important to avoid exaggerated hopes or claims.

Walter Heller, the former Chairman of the Council of Economic Advisors and a strong advocate of revenue-sharing, has suggested that it be expanded by stages so as within a few years to distribute annually an amount equal to 2 percent of the Federal income tax base. Such an ultimate distribution would equal only about 7 percent as much as State and local governments now obtain from their own revenue sources, or roughly as much as their recent year-to-year increase in tax revenue. Even if all such aid were somehow directed only to local

governments in metropolitan areas (a type of allocation which has apparently not been proposed), the fully developed plan would increase the present revenue of these governments by only about one-sixth.

The “pass-through” issue is harder to quantify, but probably involves less potential difference for urban local governments than would appear from the heat of the arguments that have raged about it. Dr. Heller originally advocated Federal revenue-sharing only with the State governments, pointing out that they would be under strong public pressure to pass along a considerable part of the resulting benefits to the hard-pressed local governments in major urban areas. More recently, he has expressed hope that the Federal plan might include some means—despite the diversity of State-local fiscal arrangements—to assure that such areas are not short-changed. On the other hand, even an arrangement designed to target an important share of all Federal allocations toward metropolitan local governments could be substantially offset, if some State governments adjusted their own grants to local governments to include a contrary bias *against* urban and metropolitan units. This would especially be possible unless or until any Federal revenue-sharing system was supporting more than a small fraction of the amounts that States distribute to their local governments—and even the full-scale program specified by Heller would involve only about one-third as much as such present State distributions.

Clearly, then, Federal revenue-sharing cannot be viewed as a prospective panacea that could wholly “solve” the urban fiscal crisis, no matter how the “pass-through” issue might be resolved. The Commission’s recommendation logically views general-support grants as only one of several Federal aid devices, and it takes into account—at least implicitly—the close interdependence of State and local finances and the fact that the State governments must inevitably play an important role in the solution of urban financing problems.

Streamlining Federal Aid

In addition to broadening the Federal grant base with revenue sharing, the Commission’s recommendation aims at nothing less than a sweeping overhaul and simplification of the present system—an increasingly imperative requirement. This mainly involves the “categorical” grants—providing funds for a particular purpose or activity, often quite narrowly defined, and with detailed expenditure conditions attached. The number of such separate categorical grant programs has multiplied in recent years from a few score to several hundred and there has been a parallel growth in the diversity of their matching requirements and other features.

²⁸Chairman Bryant and Secretary Fowler dissented from the portion of the recommendation calling for Federal revenue sharing, and Mayor Naftalin did not concur in the portion of the last sentence which deals with comprehensive plans.

²⁹*Fiscal Balance . . .*, Vol. 1, p. 7.

³⁰*Ibid.*, p. 8.

These developments are related to another. The multiplication of direct Federal-local grants stands out as a departure from the earlier practice of providing fiscal aid through the States. In dollar terms, the Federal-State grants are still overwhelmingly predominant (by about 7 to 1), but local aid arrangements account for much of the increase in number and variety of programs. Federal grants to local governments, and a growing number of those to States, are on a "project" basis—i.e., to help finance a particular project or operation that the applicant government must plan in a way to meet Federal statutory requirements, as administratively interpreted. Compared with the more traditional "formula type" grants to States, the selection of aided projects is likely to involve a considerable degree of discretion by the grant-administering agency (especially if appropriated funds fall short of total grant applications), with a resulting opportunity for controversy.

Altogether, these developments have complicated intergovernmental fiscal relations for all three levels of government. Hence the Advisory Commission's basic recommendation—backed by other more detailed proposals—for efforts toward a simpler Federal aid system with fewer, less diverse, and more broadly targeted categorical and functional grants that would serve recognized national objectives but would not stifle the exercise of responsibility by State and local officials.

STRENGTHENING THE STATE AND LOCAL REVENUE SYSTEM

If all of the aforementioned Commission's recommendations for broadening the geographic base to support education and welfare and for a more balanced Federal grant system were accomplished, more still would be needed. For, under our federal system, the provision of domestic services still would rely heavily on the revenue resources of the States and their localities.

As things stand, the State governments depend to a considerable extent on consumer taxes—general sales and excises. They must be given the opportunity to broaden their base by strengthening income taxes where they have them and adopting such taxes where they have not yet done so. Local governments, which derive seven-eighths of their tax revenue from property taxes, need to reform that workhorse and, in addition, need more adequate and more effective help from the States. The Advisory Commission has addressed itself to these problems on a number of occasions and has recommended ways and means of correcting the fiscal imbalance.

Federal Income Tax Credit

In a 1965 report, the Commission recognized the

need for more intensive State use of the personal income tax. Two of its major proposals were as follows:³¹

... The Commission ... recommends ... [that] States without the personal income tax give early and careful consideration to incorporating it into their tax system and that those presently employing a relatively ineffective tax strengthen it.

The Commission concludes that extensive use of the Federal personal income tax since 1940 has retarded the State personal income tax movement and that this deterrent effect should be neutralized ... The Commission recommends, therefore, that the Congress amend the Internal Revenue Code ... to give Federal income taxpayers an option to either (a) continue itemizing their income tax payments to State and local governments or (b) claim a substantial percentage of such payments as a credit against their Federal income tax liability.³²

The report also included various recommendations designed to foster taxpayer convenience by closer conformity of State income tax provisions with those of the Internal Revenue Code and increased Federal-State cooperation in income tax administration.

The Commission observed that nearly all the States with personal income taxes took action before World War II, when Federal income tax rates were far lower than now; and that the most important and widespread expansion of State revenue systems in recent years has involved general sales taxes. The Commission concluded that the Federal Government's heavy reliance on personal income taxation tended to bias State policymakers against this revenue source. The suggested type of special tax credit could help to neutralize this deterrent effect, and by encouraging greater State use of the income tax create more productive and better balanced State tax systems.³³

³¹ Advisory Commission on Intergovernmental Relations, *Federal-State Coordination of Personal Income Taxes* (A-27; October 1965), p. 14. Senator Ervin, Senator Mundt, Governor Dempsey, Congresswoman Dwyer and Congressman Fountain dissented.

³² *Ibid.*, p. 18-19; Secretary Fowler and Governor Dempsey abstained.

³³ Draft bills have been prepared for the foregoing proposals that involve State legislation: A suggested personal income tax act (1970 Cumulative ... , Code 15-62-21) which includes provision for a sales-tax credit; a broad-based State sales and use tax (Code 15-62-30); and a measure (Code 15-62-48, modelled after the Wisconsin law) that would provide, through income-tax credits and cash payments, State reimbursement to low-income households for part of their residential property tax costs that exceed a specified percentage of their total income from all sources.

1. To insure tax fairness, a personal exemption schedule that is at least as generous as the Federal;
2. To promote taxpayer convenience and administrative simplicity, a system for withholding income at the source and a set of tax definitions that conforms closely to the Federal; and
3. To insure productivity, a willingness to use this revenue instrument as evidenced by State tax collections equal to at least 20 percent of the Federal personal income tax collections in that State.

States can make effective and fairly equitable use of a sales tax if two prime conditions are met:

1. To insure productivity, a broad base that covers most personal services as well as retail sales of tangible items; and
2. To insure fairness, some provision for pulling the regressive stinger—either a system of income tax credits and cash refunds—or an outright exemption of food and drug purchases to shield subsistence income from the sales tax collector's reach.

Rehabilitating the Property Tax

In metropolitan areas, as generally elsewhere, the property tax is the prime means of local government financing. Within metropolitan areas, it accounts for most local tax revenue, or about two-thirds of all locally-raised revenue. Moreover, it produces nearly half of the total general revenue of local governments from all sources, including that supplied by States and the Federal Government.

The Advisory Commission has strongly urged a more balanced revenue system, to reduce urban governments' dependence on the property tax, and to relieve the regressive and onerous burdens it inflicts on many. Even if education and welfare costs are shifted to higher levels of government, there is no reason to assume a precipitous and everlasting decline in reliance on the property tax. Needs accumulated by general local governments, while they competed with schools for scarce resources, would move from the category of the "desirable" to that of the "feasible." Thus, the property tax must surely continue to be relied upon in the future for a considerable part of local government financing and the urgency remains to improve it as a revenue instrument.

The property tax is a major element in the entire State-local revenue system. It produces nearly as much revenue (over \$30 billion in 1968) as all other State and local taxes combined. Moreover, while it is used mainly

by local governments (only a handful of State governments rely on it significantly), the States have a vital interest in it. As the Commission has emphasized:

- The property tax is rooted in State constitutional and statutory provisions, which control its potential coverage and operation.
- The extent of local reliance on the property tax is strongly influenced by the States' delegation to local governments of functional responsibilities and financing powers, and their grant-in-aid arrangements.
- Property tax valuations typically enter into State grant formulas, and (often excessively) into State controls over local taxing and borrowing powers.
- Some of the most widespread and serious remediable defects of the property tax as it now operates cannot be met by local governments and officials acting alone and without changes in State-controlled provisions and arrangements.

In short, States have a vital stake in making the property tax a more equitable and respectable part of the State-local revenue system. Moreover, the most important steps that should be made in that direction can only be taken by the States, by appropriate constitutional, legislative, and administrative action.

Pulling the Regressive Stinger from the Property Tax

If a State legislature desires to exercise tax policy powers positively, it makes good sense for it to use the State tax system, and particularly the personal income tax, as a coordinating mechanism. The tax credit-tax rebate mechanism working through the personal income tax is an effective instrument to promote equity without excessive jeopardy to revenues.

The Advisory Commission cites an arrangement first adopted in Wisconsin as a prime example of the coordinate use of personal income and property taxes for alleviating local property tax burdens on low-income families. Under the Wisconsin system, poor elderly households—whether homeowners or renters—are allowed income tax credits or cash rebates for that part of their residential property tax costs that exceeds a modest percentage of their total income (table 7). This arrangement provides significant property tax relief at modest cost to those who need it most, without disrupting the regular property tax system. It is thus to be distinguished from the more common kind of "homestead exemption," which may reduce the official tax base considerably, provide a benefit to high-income homeowners as well as others, and afford no relief to households living in rented homes.

Table 7—Wisconsin's "Circuit Breaker" System for Protecting Low Income Householders from Property Tax Overload Situations, 1966

Household Income Class	Number of Beneficiaries	Average Household Income	Average Taxes Before Relief	Average Taxes After Relief	Percent of Tax Burden Relieved	Tax Burden Before Relief*	Tax Burden After Relief*
\$0	146	\$ 0	\$210	\$54	75%	—%	—%
1 - 499	1,373	302	174	47	73	58	16
500 - 999	7,788	790	175	50	71	22	6
1,000 - 1,499	13,947	1,259	199	98	51	16	8
1,500 - 1,999	14,423	1,749	221	130	41	13	8
2,000 - 2,499	11,274	2,232	239	166	31	11	8
2,500 - 2,999	7,021	2,728	266	216	19	10	8
3,000 - 3,500	3,317	3,200	284	269	5	9	8

*Tax burden is expressed as the percent of household income allocated to pay taxes before and after the relief program. Property taxes include rent paid in lieu of taxes.

Source: Wisconsin Department of Revenue—Kenneth E. Quindry and Billy D. Cook, "The Effects on Income Redistribution and Residential Property Tax Regressivity of the Wisconsin Homestead Relief Program—Its Antipoverty Role and Possible Extensions" (manuscript to be published).

The Wisconsin approach for shielding low-income families from the full impact of the local property tax also reduces interlocal social fiscal disparities among jurisdictions within the same metropolitan area. Because the poor tend to cluster together the mailman delivers most of the tax refund checks to the inhabitants of the low income jurisdictions—virtually none to the citizenry of the wealthy suburbs. Moreover, this tax relief plan is financed entirely from State funds derived in large measure from a progressive State personal income tax thereby enhancing its attractiveness from an income redistribution standpoint.

States Must Become Involved in Local Property Tax Administration

While understandable in historical terms, the States' limited direct concern for the property tax makes little sense, in view of the close interdependence of local and State finances. Furthermore, while other sources have grown in relative importance, in most States the property tax still yields more than any other single State-local revenue source and in nearly half the States it approaches or exceeds the yield of all other taxes combined.

In retrospect, the near disappearance of statewide property taxes which began in the 1920's is a mixed blessing, for the use of such levies to provide additional aid to local governments would not only help to alleviate existing disparities in local fiscal capacity but would stimulate State interest in the quality of assessments and make more evident the States' rightful authority to regulate local property tax administration. Even without such a statewide levy, however, the Commission has

emphasized that State financial planning should deal with the State-local revenue structure as a whole, including appropriate strong concern for the property tax as a major element.³⁵

The Reach of the Property Tax Can be Improved

Most people think of the property tax as a tax on real estate, and it is true that realty accounts for most of its yield. But, States differ in the extent to which they have provided for various types of exemptions from property taxation. Property holdings of governments and of nonprofit educational and charitable institutions are wholly or substantially exempt everywhere. About half the States provide legally for "partial" exemptions of some privately-owned property that would otherwise be taxable, in the form of preferential provisions for veterans, homeowners, elderly property owners, and the like. In most States, the local tax base also includes some types of "personal property": most commonly business and farm equipment and inventories, not infrequently household furnishings and motor vehicles, and in nine States (at least legally) intangible personal property such as stocks, bonds, bank deposits and mortgages.

³⁵ A draft bill (1970 Cumulative . . . , Code 15-62-411) has been prepared providing for a temporary property tax survey commission. The bill provides for members to be appointed by the Governor, and enumerates various subjects to be examined by such a commission. About half the States have established revenue or tax study commissions during recent years. In most instances these commissions have been given a rather broad assignment, but with the property tax generally included as a significant element.

The Commission finds that two kinds of State action as to property tax coverage are widely and urgently needed:

- (1) Reconditioning of the tax laws to eliminate outmoded features that are not enforceable on an equitable basis; and
- (2) Restraining and where possible reversing the tendency toward excessive and unmeasured "give-aways" through property tax exemptions.

Taxation of business personalty should be curtailed. Probably the classic example of an "unenforceable" and inequitable tax is that on business personalty. The Commission has therefore, urged that States move toward elimination or major curtailment of property taxation of business personal property. In a few States, business inventories and non-fixed business equipment are already outside the coverage of general property taxes. Elsewhere, these types of property are often very poorly assessed, to the degree that many observers despair of their equitable treatment as part of the property tax system. Major legislative steps along these lines have recently been taken by California and Colorado. The California enactment considerably tightens provisions governing the assessment of business personal property. Several other States have also enacted related legislation, particularly to eliminate some types of personalty from property tax coverage.

In many States similar action would materially cut the local property tax base. Of the 30 States for which the 1967 Census of Governments reported detailed data, ten showed locally-assessed business personalty making up at least ten percent of the total property tax base, and eight showed this component supplying between five and ten percent. The proportions are no doubt considerably more in some local jurisdictions. The Commission therefore urges that, in taking action with regard to property taxation of business personalty:³⁶

... States reimburse local governments for the attendant loss in revenue by making more intensive use of State-imposed business taxes.³⁷

Nearly half the States have modified their laws in recent years to eliminate or reduce the application of local general property taxes to business personal property (table A-3). In some instances, this has included provision for offsetting State replacement of the resulting local revenue losses.

³⁶ *State-Local Taxation and Industrial Location*, p. 82.

³⁷ A bill has been drafted (*1970 Cumulative . . .*, Code 15-62-49), based largely on a New Jersey enactment, which would eliminate business inventories from the property tax base, and provide for State replacement of the resultant revenue losses.

"Give-aways" should be stopped. The Commission has expressed indignation and concern about "property tax give-aways" as reflected in various types of exemptions. Few States or metropolitan areas have reliable statistics about the property values involved in the most prevalent of exemptions—those involving the holdings of non-profit religious, educational, and charitable agencies. More data are available for the various "partial" exemptions provided in about half the States, through preferential treatment accorded to homeowners (by "homestead" exemptions), veterans, elderly property owners, and the like; altogether, these reduce the nationwide base for local property taxation by about three percentage points, and in each of five States they cut the total tax base by more than 15 percent.³⁸

The widespread "complete" exemptions for property of nonprofit agencies are, of course, firmly rooted in tradition. They are defended as a way in which government can assist organizations which operate on behalf of the public interest without interfering with their desirable freedom of action. Exemptions of this type complicate the task of property tax administration; for example, many States are struggling with their relevance to burgeoning "non-profit" organizations that provide housing for the elderly. Exemptions also affect local jurisdictions very unevenly; for example, the exemption of educational institutions' property may involve little loss in statewide terms, but it has a strong impact on the tax base for "college towns." Furthermore, because of the common lack of meaningful figures about the property exempted from taxation, exemptions involve not only indirect but largely "invisible" subsidies. The Commission's report comments that "indirect subsidies thus conferred . . . do not appear on a State's budgets or accounting records, and thus tend to receive approval with much less scrutiny than appropriations for the same purpose would receive. They appear, in a bookkeeping sense, to be without cost to the State and local governments; they do, in fact, impose a forced expense on the taxpayers to whom the burden has been shifted, complicate the work of property tax administration, and progressively weaken the property tax system."³⁹

To a considerable extent, much the same can be said about benefits provided to some taxpayers through homestead, veterans', and elderly property owner exemptions. Where these provide for generous allow-

³⁸ These five States are: Florida, Georgia, Louisiana, Mississippi, and Oklahoma.

³⁹ Advisory Commission on Intergovernmental Relations, *The Role of the States in Strengthening the Property Tax* (A-17; June 1963), Vol. 1, p. 11.

ances, they not only cut drastically into the overall tax base but may operate perversely from the standpoint of sound social policy. For example, Census of Governments data show that in States with sizeable homestead exemptions there is far heavier taxation on rental housing—largely occupied by poor people—than upon owner-occupied homes.

In light of these considerations, the Commission has urged several steps to hold property tax exemptions within bounds:⁴⁰

... each State should require the regular assessment of all tax exempt property, compilation of the totals for each type of exemption by taxing districts, computation of the percentages of the assessed valuation thus exempt in each taxing district and publication of the findings. Such publication should also present summary information on the function, scope and nature of exempted activities.

... outright grants, supported by appropriations, ordinarily are more in keeping with sound public policy and financial management, more economical, and more equitable than tax exemptions and should be used in preference to the latter ... [except as] clearly indicated by the public interest. No tax exemption for secular purposes should be initiated or continued which would not be justifiable as a continuing State budget appropriation.

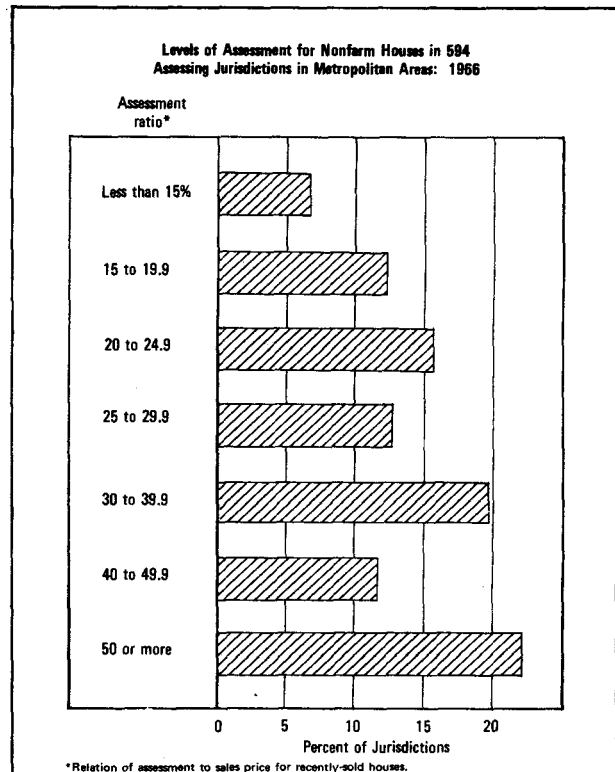
... in the instance of mandatory tax exemptions extending to individuals for such purposes as personal welfare aid and expressions of public esteem, the States should reimburse the local communities for the amounts of the tax "loss."⁴¹

Fractional Assessment: A Convenient Graveyard for Assessors' Mistakes

The level of assessment that is reflected by official valuations for property taxation and that called for by constitutional or statutory provisions stand in sharp contrast in most States. Legal provisions call for prop-

erty to be officially valued at 100 percent of its current market value in about half the States (table A-4). Elsewhere, some minimum fraction of full value—usually 35 percent or more—is stipulated. Yet, Census of Governments data based on sample "arms-length" sales of taxable real estate show that assessments average less than one-third of actual sales value in the nation as a whole. Practically all the statewide averages fall well below the legal requirement and only eight States run above 50 percent (see table A-8). Fractional assessment is not a new development; similar assessment ratios were reported for 1962 and 1957. Less firmly based data indicate the prevalence of the practice at intervals back to the 19th Century (figure 6).

FIGURE 6



Effects of fractional assessment. No automatic impairment in the revenue-raising power of property-taxing governments is implied by the practice provided neither tax nor debt restrictions tied to assessed valuations apply to them. The level of assessment under these conditions is of no particular moment so long as it is uniform with respect to taxable property.

Even where legal tax and debt limits are based on official valuations, some would argue that fractional assessment does not necessarily restrain local financing power. They contend that legislatures, in setting limits,

⁴⁰ *The Role of the States . . .*, Vol. 1, p. 11-12.

⁴¹ One section of the Commission's draft bill regarding property tax organization and administration (1970 *Cumulative . . .*, Code 15-62-412) would require the regular development and publication of data on the value of various types of tax-exempt property. At least two States, Michigan and Oregon, in authorizing partial exemptions for elderly property owners, have followed the policy suggested above, in providing for State reimbursement of local governments for the resulting revenue losses. The long-standing Iowa arrangement for "homestead tax credits" similarly involves State government financing.

tend to take into account, implicitly, that assessed valuations run below the level called for constitutionally or by statute. Moreover, some legislatures have limits based upon "equalized full value," rather than directly upon taxable assessed valuations.

Nevertheless, fractional assessment is an extremely unfortunate practice mainly because it undermines efforts to achieve equitable assessment—valuing all taxable property at substantially the same proportion of its actual worth. Many careful studies, including the 1957, 1962 and 1967 Censuses of Governments, have shown that assessment uniformity is far more likely to appear where official valuations are at a relatively high level, in relation to actual market value, than where they are at a lower average level.

Low-level assessment thus tends to hamper efforts toward a reasonable degree of assessment uniformity. It obscures the actual working of the property tax system and makes it unduly difficult for individual taxpayers to judge the fairness of official valuations placed on their property holdings.

Commission proposals. Some observers of this condition have argued that the States should attempt vigorously to carry out the full-value approach that in many cases is legally called for, and court decisions in a few States have recently so specified. Other observers, noting the long stubborn history of fractional assessment, have urged that the States change their laws to conform to prevailing practices and then concentrate on effective enforcement in terms of that assessment level. The Advisory Commission has proposed a middle course:⁴²

... the States should eliminate all constitutional and statutory requirements for fixed levels of assessment except for specifying the minimum assessment ratio... below which assessments may not drop ...

... [each] State should conduct a thorough re-evaluation of all regulatory and partial tax exemption provisions that have been related to assessed valuations ... [and] make such adjustments as are called for by the new market value relationship.

... because there is a tendency for non-uniformity of assessments to increase when property is assessed at low fractions of full value, it is important to use as high a floor as is feasible in setting minimum assessment levels.

... the State supervisory agency should be required to conduct, annually, comprehensive assessment ratio studies ... of the average level

⁴² *The Role of the States . . .*, Vol. 1, pp. 10-11 and 23-24.

of assessment and degree of uniformity of assessment overall and for each major class of property, in all assessment districts . . . [and] to publish the findings of each study . . . in clear, readily understandable form.⁴³

In Florida and Kentucky, the courts have mandated drastic upgrading of assessments to approach legal requirement for "full-value" assessments. Oregon has provided by statute for a similar shift. In a number of other States, however, earlier "full-value" provisions have been amended so as to authorize assessment at a fractional level more similar to that actually prevailing. In at least one instance (Louisiana) this follows the Commission proposal for a specified *minimum* level.

A recent Census Bureau survey indicates that some 33 States now conduct assessment ratio studies annually or "continuously," and six do so biennially. About half the States reporting such activity were not making ratio studies before 1960. In a majority of instances, but not all, the ratio findings are being published. Also in most but not all of the States involved, the ratio findings are reportedly used for equalization of assessments as among various areas.

The Commission's proposals (together with other factors) have stimulated more widespread and effective use of assessment ratio studies by the States. It should be recognized, however, that such measurement efforts are likely to be most feasible and useful where assessing areas are relatively large (at least county-wide). The continued existence of numerous separate small assessment jurisdictions remains a serious handicap to meaningful ratio studies in some States.

"Full Disclosure" Assessment Policy—A Blow for Property Tax Equity

One requirement for equity in general property taxation is that all pieces of taxable property in a particular area be assessed at substantially the same fraction (or at 100 percent) of their current worth. This is an extremely difficult target, since current worth is seldom precisely determinable: competent appraisers are likely to evaluate a particular property somewhat differently, and very similar houses in a particular neighbor-

⁴³ A draft bill (*1970 Cumulative . . .*, Code 15-62-413) has been prepared which is designed to implement the foregoing proposals. The bill provides for specification of a minimum assessment level, in relation to current market value, with means for its enforcement by State order; regular development and publication of assessment ratio data; equalization of assessments among various classes of property; and the use of assessment ratio findings for apportionment of taxes levied by jurisdictions that overlie more than one assessing area.

hood often change hands at differing prices. But disparities in the assessment of individual properties in many areas go far beyond the range of tolerance that such judgmental differences or market vagaries would justify.

The Importance of Public Surveillance. These disparities thrive upon limited popular understanding of the workings of the property tax and especially upon the complications that arise from the widespread practice of low-level fractional assessment. And, while the primary responsibility for equitable assessment properly belongs with public officials, their work should, in the public interest, be subject to a reasonable degree of popular surveillance and appeal.

This objective is widely reflected in legal requirements that individual property valuations be a matter of public record, appropriately available for inspection by any interested citizen, as well as in provisions that authorize taxpayers to appeal valuations they consider excessive. The usefulness of such provisions, however, is seriously limited (1) by the lack in most parts of the country of understandable and readily available data which would enable individual property owners to gauge the level of assessment applied to their own holdings in relation to the prevailing assessment level of their community; and (2) often by costly, complex, or burdensome assessment-appeal arrangements, which may put relief from inequitable treatment beyond reach of all but the most affluent and sophisticated property owners.

Commission Recommendations. The Commission believes that efforts toward more uniform and equitable property tax assessment should include a *full-disclosure policy*, and a well-designed arrangement for assessment appeals, in each instance making use of careful and widely publicized statistical studies concerning assessment levels. It therefore has recommended that:⁴⁴

... the State agency responsible for supervision of property tax administration should be empowered to require assessors and other local officers to report to it data on ... the property tax ... in adequate detail to serve its needs for supervision and study ...

... the present ... agencies for assessment review and appeal in most States should be objectively evaluated and reconstituted, as necessary, to provide the remedies to which the taxpayers are entitled, but do not now receive, under the uniformity provisions of State laws and the equal protection clause of the Fourteenth Amendment.

⁴⁴ *The Role of the States* . . . , Vol. 1, pp. 23-25.

... to aid the taxpayer in proving discrimination in his assessment, (1) the State supervisory agency should be required ... to make and publish the findings of annual assessment ratio studies which, in addition to serving the purposes of supervision and equalization, will inform the taxpayer of the average level of assessment in his district; and (2) the legislature should provide that the assessment ratios thus established may be introduced by the taxpayer as evidence in appeals to the review agencies on the issue of whether his assessment is inequitable.

Measuring assessment performance. Judging by findings of the Census of Governments, about half of the present primary local assessing areas in the Nation each have no more than a dozen "measurable sales" of real estate per year; and in three-quarters of such assessing areas the annual number of realty transfers is less than 50. Even if all assessing areas were entire counties, one-fourth of them could be expected to have less than 100 real estate transfers annually—and, of course, very few of these transfers would involve sizable properties that make up a small fraction of all items on the tax roll but a considerable fraction of all assessed valuations. The Census of Governments also has shown that where considerable numbers of transactions are involved, close estimates of assessment level for transferred realty can be obtained from only a limited sample of sales.

Thus these proposals for annual measurement and publication of meaningful assessment ratios, by property class, for individual assessment districts, can only be fully and efficiently carried out if such districts are relatively populous areas.⁴⁵

A majority of the States that conduct regular assessment ratio studies also publish findings, according to the recent Census Bureau survey previously mentioned. A 1966 California enactment makes more explicit the duty of its central property tax agency to conduct and report on such studies, and includes a

⁴⁵ The ACIR draft bill concerning assessment organization and administration, includes provisions concerning the conduct of assessment ratio studies and the publication of these findings and other property tax data. Another draft bill, patterned after Maryland and Massachusetts laws, (*1970 Cumulative* . . . , Code 15-62-414) is designed to implement the foregoing proposals with regard to assessment appeals. It provides for local boards of review and a State tax court; specifies appeal procedures; calls for establishment of a small claims procedure; provides for the appeal of tax court determinations to the State supreme court; authorizes taxpayers to rely upon State assessment ratio findings to demonstrate discrimination, with a provision that "a proven deviation of ten percent or more from the relevant county assessment ratio shall establish conclusively" the existence of such discrimination.

requirement that county assessors notify property owners whose assessment had been raised above the county's average assessment level. A 1967 Illinois law provides for a property tax appeals board at the State level.

Making Better Use of Local Nonproperty Tax Sources

In preceding portions of this chapter Commission proposals have been reviewed that, taken together, would help ease the problems of public finance in metropolitan areas by broadening the State-local tax system, and by making more and better use of Federal and State resources to carry some of the fiscal burden that now is locally borne. We must also be concerned however with the possibility of shifting to other local revenue sources some of the load that now typically falls on local property taxation.

In metropolitan areas, as in the nation as a whole, about two-thirds of all general revenue of local governments from their own sources (i.e., excluding State and Federal aid) comes from the property tax. Although the dollar amounts involved more than doubled in the past decade, this proportion dropped only slightly—from 69.3 to 66.3 percent.

A major part of other locally-raised general revenue is from user charges and miscellaneous nontax sources, including special assessments and interest earnings. Nonproperty taxes, yielding local governments \$3.9 billion in 1967, provide about one-tenth of all their general revenue from own sources—12 percent in metropolitan areas, and about 6 percent elsewhere (Table 8).

The Commission has not examined in detail the revenue potential of all nonproperty tax sources. However, it gave a general review to this subject in a 1961 study and a closer look at local income taxes in a 1965 report.

The power of local government to impose nonproperty taxes, as in the case of the property tax, depends on State authorization, and there is marked interstate variation on this score. Such power has generally not been granted to school districts, special districts, or rural townships. In most States also, counties' use of nonproperty taxes involves only various types of licenses. Thus, local use of nonproperty taxes mainly involves municipalities and to a lesser extent New England-type townships. For municipal governments altogether, nonproperty taxes provide about one-third as much as property taxes, but for most municipalities and especially small ones the proportion is generally far less.

In a scant handful of States, local nonproperty taxes yield at least a third as much as local property taxes; at the other extreme, nonproperty taxes supply less than five percent of all local tax revenue in nearly half the States.

The Commission's study of this subject noted major limitations to widespread heavy reliance upon local nonproperty taxes. These limitations result in large part from the prevailing atomized pattern of local governments in metropolitan areas. The Commission observed that:⁴⁶

⁴⁶ Advisory Commission on Intergovernmental Relations, *Local Nonproperty taxes and the Coordinating Role of the State* (A-9; September 1961), p. 6.

Table 8—Local General Revenue from Own Sources Within and Outside of Standard Metropolitan Statistical Areas, by Source, 1967

Revenue source	Amount (\$000,000)			Percent distribution		
	Total	Within SMSA's	Outside SMSA's	Total	Within SMSA's	Outside SMSA's
General revenue from own sources	38,045.6	28,722.6	9,323.0	100.0	100.0	100.0
Tax revenue:	29,074.1	22,308.6	6,765.6	76.4	77.7	72.6
Property	25,185.7	18,932.9	6,252.8	66.2	65.9	67.1
Sales and gross receipts	1,955.6	1,750.6	205.0	5.1	6.1	2.2
General	1,200.7	1,082.6	118.2	3.2	3.8	1.3
Selective	754.9	668.1	86.8	2.0	2.3	0.9
Motor fuel	35.0	28.9	6.1	0.1	0.1	0.1
Alcoholic beverages	38.1	30.9	7.2	0.1	0.1	0.1
Tobacco products	111.3	99.6	11.7	0.3	0.3	0.1
Public utilities	410.1	356.9	53.2	1.1	1.2	0.6
Other	160.3	151.6	8.7	0.4	0.5	0.1
Motor vehicle licenses	142.6	90.4	52.2	0.4	0.3	0.6
Income	916.5	879.5	37.0	2.4	3.1	0.4
Other and unallocable	873.8	655.1	218.7	2.3	2.3	2.3
Nontax revenue	8,971.4	6,414.0	2,557.4	23.6	22.3	27.4

Source: U.S. Bureau of the Census, Census of Governments, 1967, Vol. V. *Local Government in Metropolitan Areas*.

... many local nonproperty taxes distort competitive business relationships because the local taxing jurisdiction, even the very large city, is typically smaller than the economic area of which it is a part. Its taxes, therefore, handicap local business firms in their competition with firms beyond the city line. Local taxes typically entail high administrative costs for government and heavy compliance burdens for taxpayers, and all the while are not well administered. Furthermore, the widespread use of these taxes handicaps State government itself, through its adverse impact on the State's economy and by limiting its freedom in shaping its own tax system.

In view of the great interstate diversity in relevant conditions, the Commission suggested a number of guidelines for State policy concerning local nonproperty taxes, including these:⁴⁷

... (1) the case for most nonproperty taxes is strongest in the large urban places. Even here, these taxes are best imposed cooperatively by a group of economically interdependent jurisdictions. Therefore, the city and the other jurisdictions comprising an economic area should be provided with (a) uniform taxing powers and (b) authority for cooperative tax enforcement ...

(2) In States where a particular tax, such as the sales or income tax, is in widespread use by local governments and is simultaneously used also by the State, the most promising coordinating device is the local tax supplement to the State tax ...

(3) In situations where a particular nonproperty tax is widely used locally but the State does not itself use the same tax, the State can nonetheless help local jurisdictions by facilitating the pooled administration of the separate local taxes by a State administrative agency ...

(4) States can minimize needless variety among local nonproperty taxes by accompanying the authorization for using them with generally applicable specifications with respect to their structure (tax base, exemptions, etc.) and administrative features ...

(5) Individual States' tax policy should aim to limit local government to the more productive taxes. Local jurisdictions should be discouraged from levying many kinds of differ-

ent taxes, none of which produces enough to warrant reasonably good enforcement ...

(6) States should provide their local units with technical assistance by serving as a clearinghouse of information ... by providing training facilities for local tax personnel, by giving them access to State tax records, and where appropriate, by employing sanctions against State taxpayers who fail to comply with local tax requirements.⁴⁸

Since the Commission made these suggestions in 1961, use of the "piggyback" approach for joint State-local use of particular nonproperty taxes has grown. Of the 17 States where local general sales taxes are now used, about half require this approach, with State collection and return of amounts derived from local supplemental rates; also, several of the others provide for this method of administration at the option of tax-levying local governments. Two States—Maryland and New Mexico—have also recently authorized certain types of local governments to levy "piggyback" supplements to State-imposed individual income taxes, and in a few States similar provisions apply to local taxes on cigarettes or motor fuel sales.

Altogether, according to unpublished Census Bureau data, about one-third of all revenue from locally-imposed nonproperty taxes in 1968 came from such State-collected supplemental rates.

TOWARD MORE EFFECTIVE STATE AID SYSTEMS

States could ease urban government financing problems by providing a material part of all the costs of domestic public services in either of two ways—through direct State provision of certain costly services that would otherwise have to be locally supplied, or through the distribution of State funds to local governments to help finance their expenditure needs. Either approach offers an opportunity to overcome some of the serious difficulties arising in the typical metropolitan area, which otherwise must rely heavily upon taxes that apply competitively to various minor areas likely to have wide variations in need-and-resources relationships. However, the extent to which State intergovernmental fiscal aid may actually meet such difficulties will depend not only on the total sum distributed and the purposes for which it is available but also on the allocation methods applies.

⁴⁸Draft bills (1970 Cumulative ... Codes 15-62-30 and 32-22-00) have been prepared that would help to implement State action along these lines.

⁴⁷*Ibid.*, p. 6-7.

Some Background Dimensions

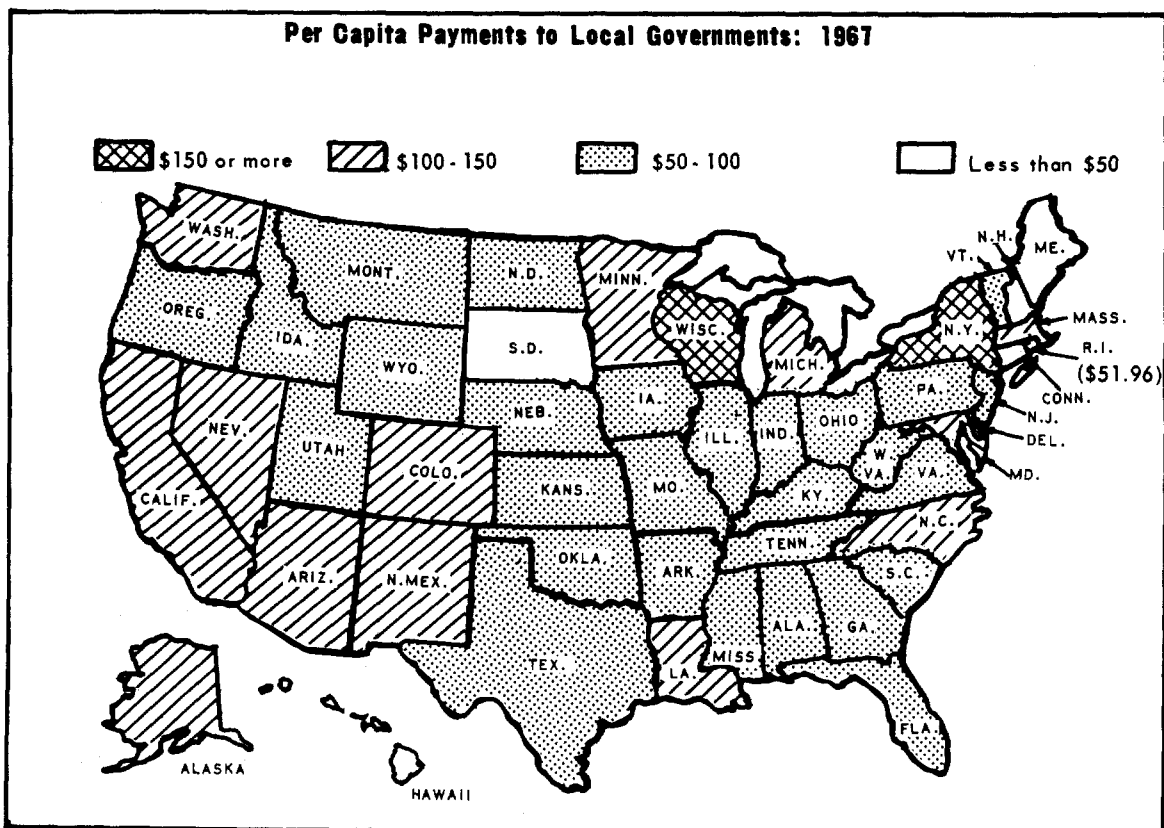
Great diversity characterizes the State response to picking up part of the sizeable "urban government" bill either directly or through fiscal aid. This can be generally illustrated—though not directly measured—by figures on the State governments' proportion of total State-local taxes. In 1967, this fraction ranged from 35 percent in Nebraska to 79 percent in Hawaii, or, if one considers only the dozen largest States, from 38 percent in New Jersey to 75 percent in North Carolina.⁴⁹ The 38 largest metropolitan areas show similar diversity. Among such areas, the fraction of all general revenue of local governments supplied by State aid in 1966 ranged from 11 percent for the Paterson-Clifton-Passaic area to over 39 percent in the case of the Baltimore, Rochester, and Milwaukee SMSA's. When per capita amounts of local taxes in these 38 areas are simply added to per capita averages for their respective States, it appears that

⁴⁹U.S. Bureau of the Census, *Governmental Finances in 1966-67*, p. 51.

the local portion ranged from less than 30 percent in the New Orleans area to 73 percent in the Newark area (table A-9).

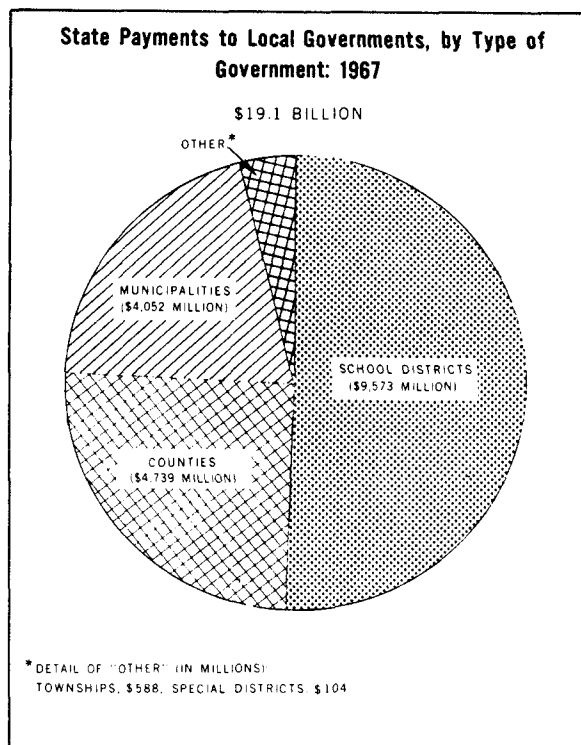
Most State aid is provided to help finance particular programs or functions. Education tops the list, accounting for 62 percent of all State payments to local governments in the nation as a whole, and for more than any other aid component in nearly every State. Public welfare ranks next nationally, at 15 percent, but with this fraction ranging widely from State to State, depending mainly on whether public assistance programs are administered directly or through local governments. Highway aids average 10 percent of the total, and payments for various other specific functions represent 5 percent. Thus, nearly 92 percent of all State payments to local governments are functionally earmarked, with only 8.3 percent distributed for "general local government support." While nearly every State provides some such undesignated aid, in most instances it is a relatively minor component.

FIGURE 7
Some States Aid their Localities Considerably More Than Others



As would be expected in the light of the foregoing facts, State aid is a particularly large resource for local school districts. In 1967, they received \$9.6 billion of the \$19.1 billion of State payments to local governments, and this was three-fourths as much as the school districts obtained from their own taxes and other local revenue sources. State aid to counties totalled \$4.7 billion, or about three-fifths of the amount obtained from their "own" sources. Municipalities received \$4.1 billion, or about one-third as much as their "own" sources supplied. Considerably smaller amounts, also equalling a minor fraction of local revenue yields, went to townships and special districts.

FIGURE 8
School Districts Receive More Aid Than Cities
and Counties Combined



These nationwide figures mask major variations among the States. Aside from New York and Wisconsin where sizable "general support" distributions have been developed and those exceptional cities and townships that administer public schools, the bulk of State aid flows to school districts and counties. This may be viewed in part as a reflection of the States' particularly close identification with the public school function and of the traditional role of county governments as "instrumentalities of the State" rather than highly autonomous units.

Improvements in State Aid

A partial substitution of "State aid" for local financing is, obviously, one means to dampen the bad effects that otherwise result from an atomized local tax base and the geographic "mismatch" of needs and resources commonly found in metropolitan areas. The effectiveness of this approach hinges most directly on the methods of allocation. State distribution formulas can and have operated to bolster numerous small units that might, without aid, be forced toward consolidation into larger and more balanced governments having greater capacity for self-support. The generalized notion that the fiscal problems of metropolitan areas can and should be eased through greater reliance on State financing offers scant help. Any "solution" must be tackled with deep concern for issues of local government structure to fashion formulas that are likely to make the additional financing most effective from the standpoint of the objectives to be served.

Elsewhere in this volume specific functional aspects of State aid (education and public welfare) are dealt with and Appendix D deals with the functions of water supply and sewage disposal and mass transportation. Various Commission recommendations reviewed here concern the use of State aid as one means of limiting the diversity of local property tax loads and the various steps to improve and systematize the planning, design and ongoing administration of State programs for fiscal aid to local governments.

Taking Account of Local Fiscal Overloads

The geographic mismatch between service needs and taxable resources causes a considerable variation in property tax rates within most metropolitan areas. This range can be narrowed in various ways: by replacing numerous very small taxing jurisdictions with a lesser number of larger ones; by shifting responsibility for the performance of some costly functions "up" to the county, State, or Nation; or by using aid from such broader jurisdictions to help finance localized services thus minimizing the amount of support that must be supplied on a small-area basis.

The first two of these approaches are preferable, in that they would deal most fundamentally with the mismatch problem. They are, however, likely to be more difficult to accomplish. The "fiscal aid" approach therefore merits consideration as one means to limit differences in local tax loads. To help deal with such conditions:⁵⁰

⁵⁰*Metropolitan Social and Economic Disparities . . .*, p. 124.

The Commission recommends that the States consider the merit of using State grant funds to equalize local property tax loads among local jurisdictions in metropolitan areas.

The general principle underlying this recommendation has been applied for a long time in State aid programs for public schools, which in many instances provide relatively more assistance to poor school districts than to rich districts, but with such aid conditioned to a specified degree on local taxing effort. Wisconsin has made a broader and more pertinent State effort to level off excessive local peaks of property taxation. It distributes a part of its State sales tax revenue to local taxing jurisdictions where the total property tax rates (with due allowance for differences in assessment levels) are considerably above the statewide average.

Systematizing State Grant Programs

In its study of *State Aid to Local Governments*, the Commission cut through functional lines to look at such questions as:

- How can State fiscal aid to local governments, which typically involves a large number of separate grant arrangements developed on a piecemeal basis, be constructively reordered into a more effective instrument for State-local partnership?
- What tools must governors and legislatures have to develop and apply consistent policies with regard to desirable grant-in-aid arrangements?
- What aid policies will prevent continuance, or even the worsening, of unsound patterns of local government structure—the bolstering up of numerous units unsuited to present-day conditions?
- How can State policymakers gear grants for particular programs or activities to provide relief to local fiscal burdens without interfering with intended levels of service and other aspects of the aided activity?
- How can aid be used to promote more effective and coordinated long-range planning by local governments, and to support the State's related efforts toward better forward planning and policy formulation?

The challenges in aid policy formulation are to balance competing objectives, clear away outworn and undesirable arrangements, achieve consistency among related policies and programs, and provide for future conditions and needs. Moreover, like Sisyphus with his rolling stone, policymakers' efforts to do these things must be continuous, and without any hope that they can be "finally" or "completely" achieved. No set of

institutional arrangements works magic on this score. Nor is there any substitute for courage, intelligence, and judgment by responsible officials and their supporting staffs.

The urgent need for better planning, design, and administration of State grants-in-aid deserves strong emphasis. More than one-third of the average State government budget goes toward supporting joint State-local activities. This reflects the intimate fiscal interdependence between States and their local governments. In our increasingly interdependent society, more governmental needs of urban areas in the future will be financed from State and Federal sources rather than locally, and much of this may be channeled through State-local fiscal aid. Thus, because of its present scale and complexity and its prospective further enlargement, the State-local aid system demands more effective handling than it has received from State policymakers and administrators. Toward this objective, the Commission suggests several types of State action.

To create a policy environment conducive to the development of an effective State-local fiscal partnership.⁵¹

... The Commission recommends that each State undertake to: (1) codify all State aid plans; (2) review and evaluate periodically all State aid programs in terms of their capacity to meet fiscal, administrative, and program objectives; (3) develop in conjunction with the planning and budget officials an information system with respect to local fiscal needs and resources; and (4) evaluate all Federal aid programs in terms of their compatibility to State aid objectives and their fiscal and administrative impact on State and local programs.

Recognizing the impact State aid arrangements have on local government structure, the Commission has urged that:⁵²

... In order to avoid bolstering ineffective local units of government with State aid and to move toward a more orderly system of local government structure... States enact legislation setting forth specific criteria for assessing the political and economic viability of their local governments... such criteria including but not being limited to (a) measures of fiscal capacity to raise revenues adequately and equitably; (b) measures of economic mixture such as minimum or maximum proportions of resi-

⁵¹*State Aid* . . . , p. 24.

⁵²*Ibid.*, p. 25.

dential, industrial or other tax base components; (c) measures of minimum population and geographic size sufficient to provide an adequate level of services at reasonable cost; and (d) other appropriate measures designed to reconcile competing needs for political accountability and community cohesiveness on the one hand with those for variety and reasonable balance in economic and social composition on the other.

To draw together the numerous strands of legitimate concern about objectives and results of State aided programs and activities:⁵³

The Commission recommends that, in enacting or modifying functional grant-in-aid legislation, States include not only fiscal standards such as those establishing accounting, auditing and financial reporting procedures but also, to the maximum extent practicable, performance standards such as minimum service levels, client eligibility, and where appropriate, guidelines for citizen participation such as the holding of public hearings.

Beyond these administrative criteria, the States' larger concerns relate to physical and human development, thus: ⁵⁴

In order to maximize the effectiveness of State grant-in-aid programs and to assure that such programs will promote statewide economic, social and urban development objectives, the Commission recommends the inclusion in such programs of appropriate requirements for conformance of aided facilities and activities to local, regional, and statewide plans.

Generally, State grant-in-aid legislation should (a) use a common definition of comprehensive plans, incorporating the necessary human resource, economic and physical development components; (b) require that there be local functional plans to which major State-aided projects and programs can be related; (c)

provide for the proper relationship of functional and comprehensive plans and planning for various geographic areas and specify a review procedure; and (d) provide that required plans use a common data base.⁵⁵

The suggested actions have an important bearing upon fiscal problems within metropolitan areas although their major thrust relates to the design and administration of the overall State aid system. Specifically, the proposed periodic re-evaluation of aid programs should promote changes that would take account of the growing needs of metropolitan jurisdictions. Action relating grant-in-aid programs to tests of local government viability would be likely to have important implications for metropolitan areas with numerous small units. The proposed linkage of grant arrangements to planning is especially pertinent to metropolitan areas since that is where most rapid development action occurs.

* * * * *

This round-up of Advisory Commission recommendations to improve fiscal relations in metropolitan areas testifies to the fact that our federal system can thrive only by continuous and unremitting effort on the part of all Americans to adjust to changing circumstances. The growing fiscal disparities among jurisdictions in our great metropolitan areas constitute the starkest challenge to federalism—a system designed to provide both wide scope for decentralized decision-making on the one hand and a tolerable relationship between fiscal needs and resources on the other.

⁵⁵ A draft bill has been prepared (1970 *Cumulative . . .*, Code 16-19-00) to carry out these recommendations. The stated purpose of the measure is "to establish an organizational and procedural framework governing the formulation, evaluation, and continuing review of all State aid programs; to provide statutory standards for local government viability; and to establish general policy governing the administration of State aid." Under this bill, the governor would be authorized, subject to notification and judicial review upon appeal, to withhold State and from a local unit of general government which fails to meet viability criteria set in accordance with the act. The governor would also be required to submit proposals to the legislature periodically with regard to desirable changes in grant-in-aid arrangements and other possible improvements in State-local fiscal relations.

⁵³ *Ibid.*, p. 27.

⁵⁴ *Ibid.*, p. 28.

Chapter 3

THE METROPOLIS OR MEGALOPOLIS - WHOSE FUTURE WILL IT BE?

By 1985, at least 178 million Americans will be living in metropolitan areas, or nearly half again more than today. Practically all that population growth is likely to take place in metropolitan suburbs, for which a 1985 population of 113 million is projected, as compared with 55 million in 1960.¹ Moreover, future estimates indicate an overall population increase of about 73 percent by the year 2,000, nearly all of it urban.

Every level of government will feel the pressure of this growth. Public programs and activities will inevitably have a strong influence on the course of future urban development, the style and quality of future urban living, and whether the current pattern will continue or not. In turn, the scale and pace of changes under way—not to mention any efforts to rechannel these changes—will place added stress on traditional governmental structures, functions, and relationships.

The problems of governmental structure and financing in metropolitan areas are taken up in other chapters. Here the physical development of cities and suburbs is probed, and Commission recommendations relevant to promoting more orderly and humane future growth are considered.

Here, the complex of contemporary intergovernmental challenges facing us in metropolitan areas is brought into sharp focus; the ill effects of fiscal and political fragmentation; the wasteful, wandering and unwise pattern of land use and urban development; the faltering role of most States; the comparative weakness of general policy-makers and governments as against the strength of special districts, interests, and programs; and the unbalanced and balkanized fiscal conditions of urban jurisdictions. These and a host of related difficulties—including racial strife and rural decline—must be faced as all governmental levels seek to assume a more produc-

¹Patricia Leavey Hodge and Philip M. Hauser, *The Challenge of America's Metropolitan Population Outlook—1960 to 1985*; Research Report No. 3, National Commission on Urban Problems (Washington, D.C.: 1968), p. 7.

tive, more peaceful, and more pleasing urban condition—now and in the decades ahead.

SOME DYNAMICS OF URBAN DEVELOPMENT

The first national census was taken in 1790, when there were four million people in the new nation. Now, the population exceeds 200 million, and projections suggest we shall pass the 310 million mark by the end of the century.

The Pace and Pattern of Population Growth

Where do these people live? In 1790, 95 percent were rural residents and 85 percent lived on farms. During the nineteenth century, a steady shift toward more concentrated settlement occurred, and the balance tipped in the second decade of this century—the 1920 Census was the first to show an urban majority. By 1960, 70 percent of our citizenry lived in urban places and 63 percent in metropolitan areas. Quite clearly the metropolis is now the dominant pattern of urban growth and over the next 16 years, 90 percent of our population growth is slated to occur within metropolitan areas as presently defined. By 1985, approximately seven out of every 10 Americans will live in these areas.²

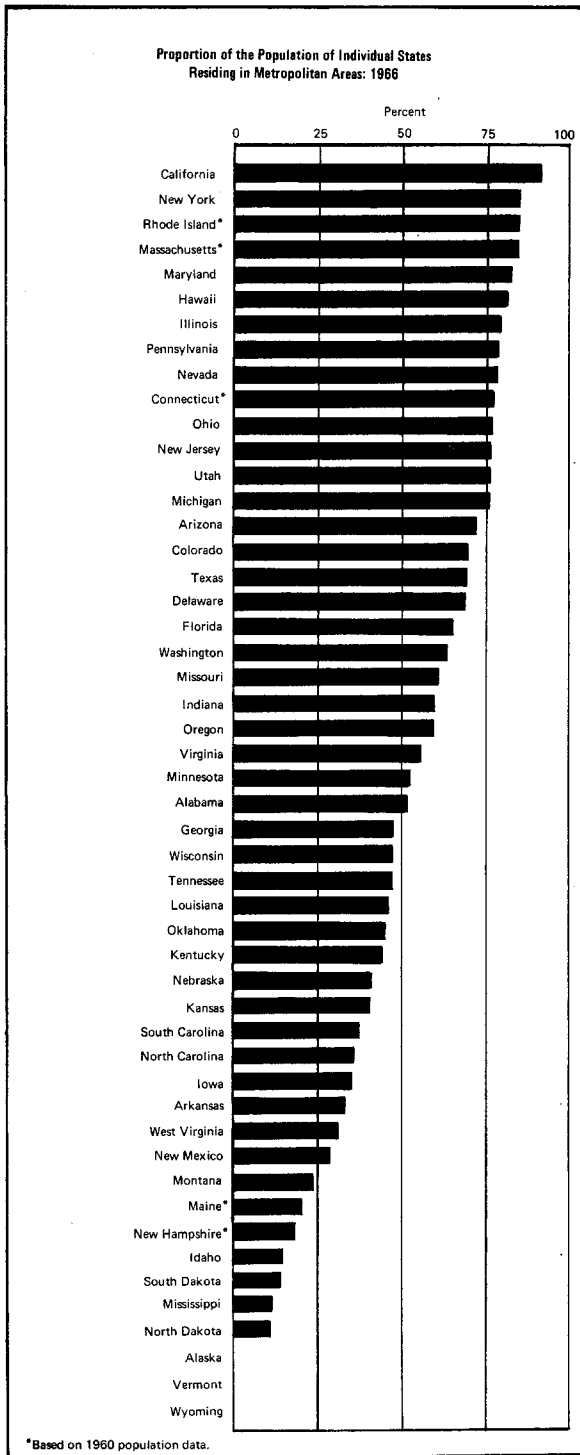
All regions of the United States have not experienced comparable population growth. Despite a continuing movement westward, the Southeast, Great Lakes, and Middle Atlantic States experienced the greatest absolute increases in population during the long span from 1870 to 1960. The Northeast, with an earlier period of development, has recently shown a considerably slower rate of population growth than other regions.

Departure from rural areas also has been speedier in some regions than in others. By 1960, only the South still had a majority of its people living outside metropoli-

²*Ibid.*, p. 7.

tan areas. But if present trends continue, a Southern metropolitan majority will emerge by 1985.

Figure-9



suburbia has been growing faster than the central cities. This decade, of course, also marked the beginning of widespread automobile ownership. Even in the earlier period, streetcars had permitted employees to live at some distance from their jobs, but still within the city or in closely-settled nodes strung along the tracks. The arrival of the automobile ended the need to adhere to a linear and close pattern of settlement. Highways, water mains, sewer trunklines, and even electric power and gas utilities still limit the direction of settlement and induce clustering. These constraints, however, provide nowhere near the limitations that applied in the days before widespread automobile ownership.

Metropolitan population growth (like that of the nation as a whole) slowed considerably during the depression years of the 1930's. Since then, however, it has soared, with suburban growth increasingly outpacing that of the central cities. Witness the following figures for the 212 metropolitan areas (designated in 1960).

Table 9--Average Annual Population Increase (Percent)

Period	Total, 212 SMSA's	Central Cities	Suburban Ring
1900-1910	2.8	3.2	2.5
1910-1920	2.3	2.5	1.8
1920-1930	2.4	2.2	2.8
1930-1940	0.8	0.6	1.4
1940-1950	2.1	1.4	3.1
1950-1960	2.3	1.0	4.0
1960-1966*	1.8	0.5	3.1

*In terms of 1960 city boundaries.

U.S. Census of Population 1960, Final Report PC(3)-1D; and *Current Population Reports*, Series P-20, No. 163 (March 27, 1967), p. 1.

What increase there was in central city population between 1950 and 1960 was largely the result of annexation activities and largely for those with SMSA's under 100,000. Larger central cities experienced little growth and few annexations. Ninety-seven percent of the net rise in total metropolitan area population during this interval occurred outside the 1950 boundaries of core cities.

These developments merely underscore the well-known fact that a majority of metropolitan population now lives in the suburbs. As recently as 1960, core cities retained a 51 percent edge, but by 1966 their proportion of the metropolitan sector had slipped to 47 percent. The suburban share of the metropolitan populace is projected (on the basis of 1960 boundaries) at 63 percent for 1985, with each of the four major regions slated at above 60 percent. Small and medium-sized cities outside of metropolitan areas have not grown as fast as those within--static core cities excepted--while

Initially, rural migrants tended to move directly to cities. Since the twenties, however, metropolitan

towns and rural hamlets in these areas as a rule have experienced the least growth of all.

Mobility, Migration, and Immobility

Alongside the picture of Americans as a restless people, repeatedly picking up their goods and moving on, is the contradictory image of middle-class families domestically settled for generations in small towns and of rural poor rooted in the countryside and the mountain hollows.

In a sense, both pictures are true. The Bureau of the Census has drawn a distinction between *mobility*, representing short-range moves within county or city boundaries, and *migration*, meaning a move across an SMSA boundary, across intrastate county lines, or from one State to another. Each year, one American in five moves, but about two-thirds of these moves are made within the same county, and less than one-sixth are across a State line. Mobility is extensive then, but migration much less than is generally assumed. What is more, long-distance moves are not proportionately much greater than they were over a century ago.

Regionally, Western States have experienced a high rate of net in-migration in recent decades, although the latest figures indicate that this westward shift has dropped off markedly. Metropolitan areas in the crescent formed by the States of the South, Southwest, Mountain States and Pacific Coast have experienced rapid recent growth and about half their growth between 1960 and 1965 resulted from in-migration. By contrast, metropolitan areas in the Northeast and Great Lakes States owe their recent growth almost entirely to natural increase among their own residents.³

Mobility figures—those for short-range moves—cannot be obtained for the last century but if they could, they probably would show that short-range moves, especially from one job market to another, have increased in this century. Surveys for the years 1963-66 show that young adults (18-34) have a much higher mobility rate (34 percent) than older people (12 percent) and move greater distances. These standards also indicate that non-whites have a higher mobility rate (24 percent) than whites (19 percent). In terms of long-range moves, it was found that although fewer non-whites proportionately moved longer distances than did whites, when they did cross State lines they moved farther—a reflection of the continuing exodus from the

South to northern and western urban centers. In general, migration (crossing county or State lines) was higher for white persons, college educated, professional people, and unemployed men.⁴

Not unexpectedly, motivational and other research suggests that the lure of improved economic opportunities is a major factor prompting migration. At the same time, those with better educational backgrounds and better job skills are more likely to respond to the lure than those lacking these traits. Areas of high economic activity, for obvious reasons, are major focal points of in-migration. But the converse is not necessarily true, since areas of lower level activity do not always encourage out-migration at rates higher than those for other areas. This is explained in part by the fact that certain groups—including some blue collar workers, some of the less educated, many Negroes, and many oldsters—simply do not move merely because of the chance for economic betterment. Several other factors—largely non-economic in nature—condition their decision to move and quite clearly a cluster of non-economic motives influence decisions not to move from areas of limited opportunity. Moreover, when out-migration does occur in such areas the result usually is a reduction in the most productive sector of their respective work force.

Cities as Economic Types

The International City Management Association has classified cities and other urban places of over 10,000 population by type and intensity of economic activities carried on within their borders. The most recent tabulation, based mainly on 1963 data, covers 1,849 such urban places.

The ICMA analysis suggests that as cities grow larger they tend to become more diversified in their activities. A related finding is that unless some cities break out of the mold of their principal activity they are unlikely to attain larger size—dormitory activity is one example and mining another. At the metropolitan level, similar generalizations are suggested by the survey data.

Very recently, the Department of Commerce has used newly assembled personal income data as a basis for classifying metropolitan areas by economic type.⁵ This classification is based primarily upon the relative proportion of personal income arising from various types of “export” industries—those which export the bulk of

³ Advisory Commission on Intergovernmental Relations, *Urban and Rural America: Policies for Future Growth*, (A-32; April 1968), p. 17.

⁴ U.S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 156 (December 9, 1966), p. 2,3.

⁵ U.S. Department of Commerce, *Survey of Current Business*, (Washington, D.C.: August 1968), pp. 25-46.

their output, as distinct from "residential" industries that mainly meet local needs. It should be noted that the "industry" concept here is a broad one and includes government and that "output" covers services as well as commodities.

Large urban areas, it was found, generally involve more diversified economic activity and a strong role for distributive and service industries as well as for manufacturing. Of the five most populous SMSA's in the nation, four were classed as *national economic centers*,⁶ with much of their income based on distributive and service activities that include a substantial export sector. Twelve other SMSA's were classed as *regional economic centers*,⁷ most of these also are relatively large as well as diversified. Clustering in the lower population range are SMSA's with sizable proportions of income coming from *mining, agriculture, recreation, and government military* activities. When the 223 SMSA's covered by the Commerce Department study are grouped according to population size, the median-population SMSA of each economic type is located as follows:

SMSA Size Group (000 population)	Type of SMSA (and number)
1,000+	National economic centers (4)
300-499	Regional economic centers (12)
300-499	Manufacturing—moderate intensity (69)
200-299	Manufacturing—intensive (28)
200-299	Government, other than military (21)
100-199	Agriculture (10)
100-199	Government, military (26)
100-199	Recreation (4)
100-199	Mixed (40)
50- 99	Mining (5)

The remaining group of 40 *mixed* SMSA's consists of those whose economy is relatively diversified, with an industrial mix that generally resembles the nationwide composition for SMSA's as a whole.

Clearly, while metropolitan areas have many economic similarities—particularly a dependence upon some sizable "exporting" industries—they differ considerably in the extent and actual content of their specialization.

Income Differences—Convergences and Divergences

In reviewing historical trends, the Advisory Commission has documented a gradual narrowing of average

income levels among metropolitan areas, and between metropolitan areas as a whole and the rest of the nation. Yet, this tendency to grow more alike does not hold as between central cities and the outlying portions of their metropolitan areas.

During the past four decades, the interstate range in income per capita has dropped materially. In 1929, the lowest-ranking State (South Carolina) was at only 38 percent of the national average, and the highest-ranking (New York) was at 165 percent—a spread of more than 4-to-1. By 1950, this range had narrowed to 49 and 130 percent, respectively, a spread of less than 3-to-1. And by 1967, it had narrowed further to about 2-to-1, with the poorest State (Mississippi) at 60 percent and the highest-income State (Connecticut) at 126 percent of the national-average level.

A similar development has been reported for metropolitan areas (as defined in 1967). Among such areas, the range in average per capita income narrowed from a 5-to-1 spread in 1929 to a little more than 3-to-1 in 1966.

The income differential within States between metropolitan and non-metropolitan areas has also been narrowing. In 1929, personal income in areas now defined as metropolitan averaged 2.3 times as much as personal income in the rest of the country. By 1966, it was down to a little below 1.5-to-1.

Averages of per capita income are not similarly available for the central-city and outlying portions of metropolitan areas. Accordingly, somewhat different measures must be used to examine their relative income status and trends. The 1960 Census of Population showed a considerably greater proportion of low-income families (under \$3,000) in metropolitan central cities than in suburbia—17.6 versus 12.5 percent; and, at the other extreme, a smaller proportion of families with an income of \$10,000 or more—16.5 percent in the central cities compared with 21.2 percent in suburbia.

The median 1959 income of suburban families was 14 percent above that of central-city families. Recent sample surveys indicate a widening of this gap, so that by 1967 the median family income for suburbia was 20 percent higher than that for the central cities.⁸

The Growth Cycle and Industrial Change

Professor Wilbur Thompson of Wayne University has analyzed various factors affecting the location of industry and business, and concludes that there are

⁶New York, Los Angeles, Chicago, and San Francisco.

⁷Atlanta, Ga.; Billings, Mont.; Boise City, Ida.; Charlotte, N.C.; Dallas, Texas; Des Moines, Iowa; Fargo-Moorhead, N.D.-Minn.; Houston, Texas; Memphis, Tenn.-Ark.; Portland, Ore.-Wash.; Sioux Falls, S.D.; and Springfield, Mo.

⁸U.S. Bureau of the Census, *Current Population Reports*, Series P-23, No. 27, (February 1969), p. 36.

"near inexorable" forces for further growth of urban areas with a population ranging upward from "perhaps 50,000 and certainly from 200,000." He points out that "the large urban area is especially likely to give birth to new industries and is especially likely to attract income-elastic services."⁹ Such an area has important advantages in producing economies that induce industries to locate there, as pointed out in the Commission's report on urban growth and development.¹⁰ These include the availability of the necessary city infrastructure, an industrially-oriented labor supply, proximity to markets, and proximity to materials.

On the other hand, Professor Thompson suggests that the very large metropolis is likely to reach a stage where its growth rate drops back to something like the national average or below. This he traces to a "filtering down" process by which industries, as they mature, tend to move:

from places of greater to places of lesser industrial sophistication . . . Skill requirements decline steadily as the production process is rationalized and routinized . . . the high wage rates of the more industrially sophisticated innovating areas become excessive, relative to skills needed. The aging industry seeks out industrial backwaters where the cheap labor is not up to the lesser demands of the simplified process.¹¹

Also, as the Commission noted in its report, the built-in tendency for further concentration of economic activity in given areas may be counterbalanced by diseconomies of scale, such as higher land rents.¹²

As a result, the very large metropolitan area is likely to experience a relative slowing in its economic growth rate, as its industry mix becomes more diversified and "average," unless it can continue to attract a considerable proportion of innovative, fast-growing types of business. It would appear that the largest metropolitan areas generally have not managed to accomplish this in recent years; personal income in the ten largest SMSA's grew somewhat less (48 percent) between 1959 and 1966 than that in the other SMSA's (53 percent). Of these ten largest areas, only three (Detroit, San Francisco-Oakland, and Washington) showed an income growth rate faster than that of the nation as a whole.

⁹Professor Wilbur Thompson, Remarks in "National Growth and Its Distribution," *Symposium on Communities of Tomorrow* (U.S. Department of Agriculture, December 11, 12, 1967), p. 16.

¹⁰*Urban and Rural America*, . . . , pp. 43-45.

¹¹Thompson, *Symposium* . . . , p. 14.

¹²*Urban and Rural America* . . . , p. 44.

Dr. Thompson observes that "both the larger industrial centers from which, and the small areas to which, [slow-growth] industries filter down must run to stand still at the national average growth rate." His analysis suggests that scattered small towns—unfortified with the infrastructure and economies of larger areas, or with the amenities that would attract business management—are likely to fall farther and farther behind, often at best dependent upon "the hand-me-downs, the cast-offs of the industrial system. . ."¹³

It is important to observe, however, that this prospect applies to communities that are outside present or emergent metropolitan areas. A very different prospect would be indicated for satellite cities and towns within such areas, as well as other parts of the metropolitan fringe. There is ample evidence that a growing share of industry and commerce is locating in such areas, which may offer many of the advantages of the metropolis without all of the costs and possible disadvantages of a central-city location (Tables A-5 and A-6).

In brief, with market forces operating normally, suburbia is a magnet not only for people but business and industry as well. Increasingly, central cities are shunned because of taxes, other high costs and civil disorder, while rural areas are avoided as "Dullsvilles" where corporation executives, professionals and their wives are loath to settle.

THE BLEAK SIDE OF BURGEONING URBANIZATION

With the growth of urban areas, a way of life has emerged that is economically productive, in many ways stimulating and, for many who live it, thoroughly satisfactory. Yet there is a darker side, characterized by physical disorder, wastefulness, and human distress.

The Lust for Land

The shape of settlement in metropolitan areas reflects the great growth in suburban population, the impact of the automobile and the FHA mortgage insurance program, the desire of some to escape the city, and the obsolescence of areas in the central city. Each year some 400 to 500 thousand acres, mostly in the outskirts of metropolitan areas, are converted to "urban" use.¹⁴ A majority of Americans apparently want, as Daniel Elazar notes, to become urbanized but not

¹³Thompson, *Symposium* . . . , p. 16.

¹⁴*Urban and Rural America* . . . , p. 12.

citified, for "they have clearly sought the suburban conditions of lawns and automobiles."¹⁵ All too commonly, however, the resulting outward growth involves unsightly patterns of settlement in many metropolitan fringe areas.

One type of growth, sometimes referred to as scatteration, consists of very low density development with single-family homes built on lots of two to five acres or more. This low-density settlement consumes large amounts of land that might be better used in the future at higher density ratios. Because it is uneconomic to service the homes with sewer and water lines, development tends to depend upon wells and septic tanks. But this is what millions of Americans prefer and will continue to prefer, regardless of how much professional planners, economists, and other "experts" inveigh against urban sprawl.

A second form consists of more intensive, asterisk-shaped growth out along major highway routes from built-up areas. Although the wedges of space between the strips are underdeveloped, utilities can be installed along the corridors.

Finally, suburban settlement is also characterized by "leapfrog" development, where relatively compact urbanization takes place in nodes, with substantial tracts of raw land left between them. The relatively compact areas usually require the greatest initial capital expenditures for urban services. Here is where small independent water and sewer systems are often found. As development begins to fill in the spaces these local systems compete uneconomically until they are absorbed by a larger system.

Unplanned development, scattered or leapfrogging over the countryside, can destroy natural open space needed for recreation and other purposes. It can set off a spiraling of public service costs for sewer and water lines, highways and school bus transportation; also it can frequently destroy any possibility of an efficient and economic mass transit system.

Many a suburbanite and city dweller is familiar with the garish ribbon along major streets and highways composed of drive-in restaurants, gas stations, car lots, motels, by-passed vacant lots, and an occasional small shopping center. A large number of recent court decisions on land-use matters has involved zoning along these roads. Pressure for such development and the notion that lots fronting heavily traveled streets are not ideal for any other use sometimes cause even the most high-minded of communities to buckle. A related factor

¹⁵Daniel J. Elazar, "Urbanization and Federalism," in *A Nation of Cities*, Public Affairs Conference Center (Chicago: University of Chicago, 1966), p. 9.

is the tendency of some localities to "overzone" for business—to put long strips of vacant highway frontage in business zones.

In older settled areas, on the other hand, another kind of development problem emerges. The "gray areas" in large cities and in adjacent suburbs are not yet slums, but neighborhoods where signs of deterioration are beginning to appear. Here, pressures develop to allow commercial and residential uses that often cast blight: rooming houses, garages, filling stations, bars, lunch counters, and second-hand stores.

"Gray areas" frequently have highly mobile populations and lack the community cohesion to resist these commercial encroachments. Where rapid transition is taking place in the population—where, for example, middle income and especially white residents are moving out—political influence and involvement often wanes. New residents may lack the means and the sophistication to insist on enforcement of housing regulations, and to oppose requests for rezoning. Persons anxious to sell and move out may, in fact, encourage a change in zoning to widen their potential market. Once these new uses are permitted and appear, the floodgates usually open wide.

When is Big, Bad?

Is there a point in the growth of urban areas where concentration ceases to be an advantage and becomes a serious handicap? Are there important diseconomies of urban scale?

Obviously it is "more expensive" to live in a city than a rural area; for one thing, people in cities pay cash for some goods and services that rural residents pay for partly in their own labor. But there are more goods and more services—more amenities—available in cities than in suburbs and small towns, and higher incomes too. An examination of whether, in fact, "diseconomies" occur after cities grow to a certain size must be very carefully handled. As mentioned earlier, an Advisory Commission study of this question indicated that for cities over 250,000 population per capita expenditure for certain public services may tend to stabilize at a significantly higher level than for less populated places.

The question then shifts to possible diseconomies of metropolitan scale. As made clear earlier, most of the growth in coming decades will come not in the great central cities but in the suburbs and satellite cities around them. Residents in these parts of the metropolis feel that they may capture many of the advantages of urban life without its liabilities. But are there other liabilities which arise from the size of the modern "spread city"?

Big metropolitan areas seem to reach a stage of size "maturity" after which they are no longer attractive to

industrial location, and their population-growth rate levels off to considerably less than that of smaller metropolises. From this, we might conclude that the "free market" of locational competition can be counted upon to prevent the development of excessively large metropolitan areas. This would argue against any deliberate governmental effort to influence locational forces, for example, by trying to steer further urbanization mainly toward areas other than the largest ones. But such an optimistic *laissez faire* view might be questioned on several grounds.

First, physical problems may reach crisis proportions well before diseconomies of scale deter further industrial concentration and thereby stop continued population growth. Air pollution—a "sickness of cities"—is an example. The earth as a whole has an enormous volume of air (a million and a half tons per person), with great capacity for containing pollutants. But most air pollution arises in urban centers, which commonly have more than ten times the weight of air-carried particles found elsewhere. Even with present population densities and fuel-using practices, according to the experts, cities "are coming uncomfortably close to using up all their available air,"¹⁶ while a fourfold rise in the capacity of power-generating plants that burn fossil fuels is projected by the year 2000.

Secondly, some contend that huge size and complexity purchase private economic efficiency at too great a cost from the standpoint of human values and effective governmental and social institutions. As one writer has expressed this view:¹⁷

All of this (population concentration in huge urban centers) has raised some very serious questions not only about the impact upon the physical needs to be met but about the kind of society it implies. Is the multi-million population urban agglomeration likely to offer the kind of physical, social, and aesthetic environment which will stimulate a rise in the cultural level of the individual and awaken his latent talents for participation in social, political and intellectual activities? Will such agglomerations achieve societies of high quality and enduring vigor? Does this kind of development offer enough variety and choice for people of the next two generations?

¹⁶Roger Revelle, "Pollution and cities," in *The Metropolitan Enigma*, James Q. Wilson, ed. (Washington, D.C.: Chamber of Commerce of the United States, 1967), p. 87, quoted in *Urban and Rural America* . . . , p. 57.

¹⁷Oliver C. Winston, "An Urbanization Pattern for U.S.," reprinted in U.S., *Congressional Record*, 90th Cong., 1st Sess., October 10, 1967, p. S 14506-7, quoted in *Urban and Rural America* . . . , p. 56.

Third, it can be argued that the strong thrust toward increasingly metropolitan growth would at least be dampened if government were more conscientious in charging the parties responsible for economic costs that arise from concentrated urban development. It can hardly be doubted, for example, that some decisions about the location of particular industrial plants would be different if the owners had to provide for costly installations to minimize their pollution of the air, or to foot the entire bill for highway facilities to deal with traffic congestion they create.

Such considerations suggest that some of the minuses of large-scale urbanization receive inadequate attention in the myriad of decisions which produce the modern metropolis. This does not, however, offer any directly useful guide to optimum or maximum urban scale, and, as the Regional Plan Association has pointed out:¹⁸

. . . Many of the negative aspects of large city living are not inevitably linked to size but are, rather, socially, institutionally and politically determined. Their drawbacks can be alleviated or eliminated through the political process by a more equitable distribution of public investment, through pricing policies that make individuals more responsive to the consequences of their actions, through technological advance and through imaginative and rational planning and design.

Metropolitan Heterogeneity, Municipal Homogeneity

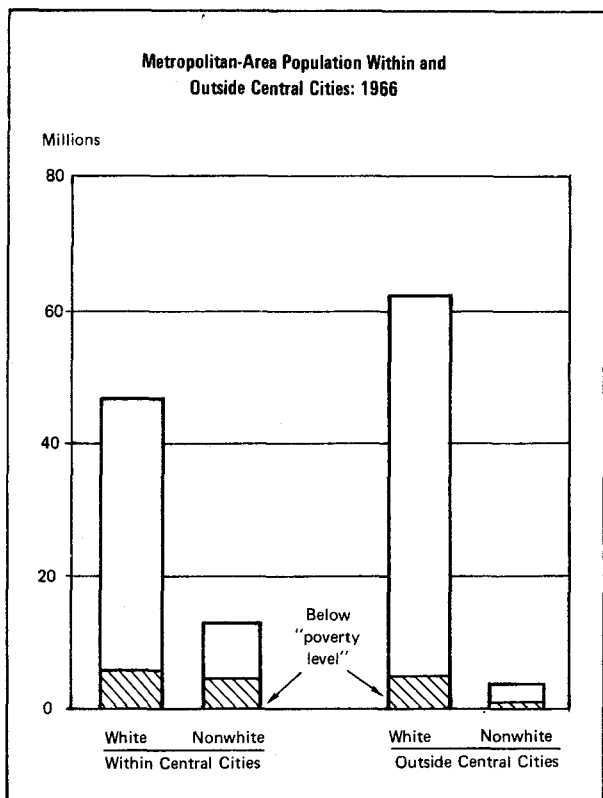
The dominant central city of earlier decades was a heterogeneous one with people of different ethnic backgrounds, races, and incomes. With suburbanization, however, marked jurisdictional differentiation has occurred. The metropolis as a whole has wide socio-economic variations but individual governmental jurisdictions within it reflect a far more homogeneous character. As mentioned earlier, the central city typically retains most of the nonwhites and the majority (63 percent) of the metropolitan poor. Even in the suburbs, however, there are sharp social and economic differences among political jurisdictions. It was pointed out that the view from "suburbia's cracked picture window" shows residents of the wealthy bedroom community differing markedly from the people in the industrial enclave and both differing from the people in the "poverty pocket" or other lower-income suburban neighborhood.

¹⁸The Regional Plan Association, *The Region's Growth, A Report of the Second Regional Plan* (New York: 1967), p. 22, quoted in *Urban and Rural America* . . . , p. 57.

Race adds a special dimension to this picture of urban people. As recently as 1940, 77 percent of all American Negroes still lived in the South. Between 1940 and 1966, a net total of 3.7 million nonwhites joined in a great exodus to central cities of other regions. Of all American nonwhites, 65 percent now live in metropolitan central cities, while most of the remainder still live in the rural South.

About 17 percent of the residents of central cities were black as of 1960. Six years later the proportion had climbed three percentage points and if recent trends continue the 1985 figure will be nearly 31 percent. By contrast, only 5 percent of the urban fringe population was nonwhite in 1960 and this proportion slipped to 4 percent by 1966. According to present projections and barring any major breakthroughs on the urban housing front, the 1985 figure will come to about 6.1 percent.¹⁹

Figure-10



Different groups in our society bear the burden of poverty unequally. The most poverty-prone are non-

¹⁹ 1950 and 1960 data from U.S. Bureau of the Census, *Current Population Reports*, Series P-23, Nos. 24 (October 1967) and 26 (July 1968); 1985 estimates (using 1967 SMSA boundaries) from Hodge and Hauser, *The Challenge of America's Metropolitan . . .*, p. 26.

whites, members of families headed by a woman, members of large families, the aged, and families whose heads are unemployed or under-employed.

Contrary to a widespread impression, only three out of every ten poor people live in the central cities. Nearly half the poor live in rural America, though very few (only 8 percent) of the poor are on farms. Of the estimated 51 percent of the American poor in metropolitan areas, as of 1966, the majority lived in the central city (9.4 million out of 15.2 million, or 63 percent), partly because that is where the majority of nonwhites live. Almost half of the white poor in metropolitan areas live in the suburbs—demonstrating, incidentally, that suburbia shows more racial than economic prejudice.²⁰ These intrajurisdictional social disparities clearly accentuate the fiscal crisis of core cities with burgeoning budgets and eroding revenues (treated in Chapter 2).

Bulldozers, Progress, and People Pushed Aside

The process of urban development, in and out of cities, has meant displacement of large numbers of people, currently involving as many as 100,000 families and individuals annually, according to some estimates. This displacement on more than one occasion has been the match that touched off a riot.

Displacement actions by local governments include urban renewal, public housing construction, and condemnation of substandard structures under local housing codes. State governments also have caused widespread displacement in building State and interstate highways, and both levels have been assisted in these efforts by Federal grant programs. Within metropolitan areas, the brunt of dislocation falls mainly upon the poor, the near poor, the lower middle class, the non-white and the aged.

Physical change and development—whether under private or governmental auspices—obviously cannot avoid some impact upon those whose homes or busi-

²⁰ Data in this section are drawn from various articles by Mollie Orshansky for the Social Security Administration, notably "Counting the Poor: Before and After Federal Income-Support Programs," in *Old Age Income Assurance*, (U.S. Congress, Joint Economic Committee, December 1967) Part II, p. 197. The criterion of poverty which the Social Security Administration has developed is an income measurement which takes into account family size, number of children, and farm-nonfarm residence. It is annually adjusted to reflect price rises, but does not distinguish between rural nonfarm life and metropolitan life. Unquestionably, living costs are lower outside metropolitan areas, while incomes tend to be higher within. Thus the rural nonfarm poor are better off relative to their neighbors and compared to the metropolitan poor; but by what degree it is not possible to say.

nesses are in its path. But government with its unique power of eminent domain has a special obligation to soften the blow and fully underwrite burdens that result from its own developmental and housing-related activities. Yet, the record to date indicates that government has only begun to consider the human factor in its ever increasing land acquisition activities.

The Rural Remainder—and Its Plant

The shift from rural to metropolitan America has depopulated farms and drawn young people out of the small towns and the cutover, strip-mined, automated-farming, and mechanized mining areas of our country.

Many scattered small towns, with under-occupied housing, abandoned or half-used schools, empty stream-side factories and under-used utility facilities, present a black picture of wasted "fixed plant." The idea is sometimes expressed that some of these towns carry the seeds of expansion and, with assistance, could absorb some of the development that otherwise would occur elsewhere. Yet, in many cases, their governmental institutions, originally designed to handle the less difficult challenges of an earlier age of greater self-sufficiency, frequently are unable to provide the kind of public services needed today. Local government expenditures per person in many rural jurisdictions are disproportionately high for frequently inadequate levels of service. To complicate matters, the limited administrative machinery and scarcity of leadership often combine to hinder the planning and development necessary to overcome their handicaps.

With a static overall population growth since 1950, a declining farm sector and a generally less favorable position (as compared to metropolitan areas) regarding its educational and health facilities, housing, poverty, and income levels, rural America at this point in time faces a highly uncertain future—a future which in various major respects is closely linked to that of her urban brethren.

Jobs Here—Unemployment There

If present trends continue, the rural population will continue to shift—though at a reduced rate given its reduced number—away from many rural areas and from small towns that are remote from metropolitan areas. Attractive job opportunities there will continue to be scarce, and the areas will experience further siphoning off of the young and able work force. The resulting greater concentration of older and unskilled workers among those remaining and the further decline in the capacity of many towns and hamlets to support basic

public services will hasten the erosion of significant sectors of rural America. There are, of course, exceptions to this predominant picture. Some towns and independent small cities are experiencing a modest population growth and can anticipate a viable future existence, fed by their locational advantages for certain types of production or services. Moreover, numerous moderate-sized, non-metropolitan cities no doubt have a real potential for sound development. But a drastic change in recent trends would be needed for such situations to be widely spread.

Within metropolitan areas the expansion of industry and commerce—especially those of the labor intensive type—along the suburban fringe seems likely to continue, thus widening the gap between the declining economy of the central city and the dynamic one of many of its suburban neighbors. What growth there has been in central cities has tended to offer employment opportunities in the professional managerial, technical, and highly skilled sectors—in short, jobs for suburbanites.

With the relative drop in central city job opportunities, the migrating poor, less educated, and nonwhite logically should shift to the suburbs. But the scarcity of older low-cost suburban housing and the persistent barrier of discrimination in the case of blacks tend to sustain the white noose around the central cities. For some migrating poor-whites, small settlements along the metropolitan periphery also prove attractive.

* * * * *

Throughout this brief assessment of the broad contours of the metropolitan challenge runs the general theme of the paradoxical nature of recent urban development. In probing the many facets of this challenge, we encounter a series of major public policy questions stemming from paradoxes such as these:

- the emergence of an urban nation, but an economic and social decline in our nation's larger cities;
- the romantic, traditional notion of an America with limitless amounts of land, but an urban America of today with a scarcity of this much-needed factor of growth;
- the hymnal ideal of gleaming "alabaster cities," but the reality of blight, slums and slurbs;
- the venerable Jeffersonian tenet of the resolute and resourceful agrarian, but the here-and-now fact of rural decline;
- the cultural ideal of social heterogeneity but the jurisdictional fact of greater socio-economic homogeneity;

- the presumption that government should be one of the guardians of our collective social consciousness, yet the reality of governmental harshness and injustice when it proceeds to acquire land; and
- the elemental American democratic precept of equal opportunity, but the evident geographic, transportation, and housing barriers facing many of the disadvantaged in rural and core-city America, severely restricting their freedom of choice.

THE COMMISSION'S THEME OF BALANCE

What steps can be taken to resolve these tough paradoxical problems? Several of these difficulties have been probed in various Commission reports.²¹ While these reports, for the most part, tackle separate sectors of the overall urban development dilemma, a broad underlying theme of balance pervades each of them and this, in turn, envelops certain inferred pivotal ideas that condition the Commission's approach to recommending specific solutions to specific urban problems. Among these ideas are the following:

- The nature of the urban development crisis is so vast, so complex, and so great a challenge to political and governmental ingenuity and courage—no one of the traditional levels of government has the talent, the time, the funds, and the power to cope successfully with it alone; hence a balanced, multi-level approach is needed;
- In a physical sense, vast *metropolitan economies* have emerged in recent years, but most of these are not *metropolitan polities* in the sense of communities with common social and economic institutions, a common governmental system, a citizenry having a sense of community that embraces the area as a whole; instead these metropolitan entities are fragmented jurisdictionally, fiscally, socially, and economically, and most of their citizens are moving at a very slow pace toward recognizing the problems and opportunities they share with fellow citizens in the area; any attempt to reconcile the traditional

governmental and fiscal arrangements with the fact that many problems can only be solved by joint action must be a balanced effort; any approach that fails to consider simultaneously the fears as well as the hopes of our urban citizens and their governments, the traditional institutions as well as innovative devices and programs, the varying and always slow pace of attitudinal change with respect to metropolitan awareness, will fail.

- Strong special interest pressures both in the private and public sectors are a critical conditioner of urban chaos—whether it be in the area of land use, construction, governmental acquisition of property, program planning, unifunctional authorities, or public finance; an equitable balance must be struck between these forces and those seeking a broader, more representative, more long-range, more responsible vision of the public good in our metropolitan areas;
- In terms of geography, legal and fiscal authority, the States are in a unique balancing position to move in a number of constructive ways to provide assistance and leadership on the urban frontier; as sources of direct fiscal and program initiatives, as expanders of the local revenue base, as umpires of interjurisdictional bickering, as possessors of strong actual or potential power in the land use and urban development areas—in short as legal parents of metropolitan governmental jurisdictions, the States can and must be confronted with an agenda of responsibilities relating to achieving a more viable pattern of urban growth.
- Finally, given the fiscal, administrative, political and moral power of the National Government, this level cannot escape its roles as balancer, stimulator, abettor, reconciler, and in some instances, direct intervenor in the urban problems of the nation.

The recommendations that follow are linked by the broad theme of balance and reveal the Commission's general preference for the four derivative precepts discussed above. The proposals involve:

- Ending the balkanization of building requirements through such measures as (a) use of performance standards, (b) a program of building research assisted by both Federal and State governments, (c) establishment of a single national advisory model building code, (d) State enactment of model code and product approval procedures, and State licensing and training of building inspectors.

²¹ *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (A-20; May 1964); *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs* (A-25; January 1965); *Relocation: Unequal Treatment of People and Businesses Displaced by Governments* (A-26; January 1965); *Building Codes: A Program for Intergovernmental Reform* (A-28; January 1966); *Urban and Rural America: Policies for Future Growth* (A-32; April 1968).

- Aiding people displaced by urban change, by adoption of uniform and equitable relocation policies by the Federal government and the States.
- Improving urban development planning and land-use regulation through (a) providing responsible metropolitan planning bodies; (b) strengthening and systematizing Federal planning requirements and related provisions; (c) curbing "fiscal zoning" practices; (d) upgrading local land use and development controls via state authorization of "planned unit development," or "official map," and the like; (e) authorizing State regulation of land use at points of access along major highway rights-of-way under certain circumstances.
- Formulating urban development policies including (a) establishing a national balanced urbanization policy with industrial location, manpower retraining, uniform public assistance, resettlement, and large scale urban development provisions; (b) related revamping of multi-State planning and development agencies; (c) development of State urbanization policies.
- Exploring new public approaches to urban development including (a) alternative approaches to influencing industrial location; (b) varying ways of neutralizing factors sustaining adverse migration trends and of strengthening factors geared to viable dispersion; (c) an assessment of the diverse, indirect and direct ways the Federal government and the States can fashion a meaningful large-scale urban and new community development component of their respective urbanization policies.

Ending the Balkanization of Building Requirements

Public regulation of building construction interacts with several of the problems of metropolitan development. Such regulation operates mainly through building codes, which have been enacted by local jurisdictions. At least nine-tenths of the people in metropolitan areas and most of the non-SMSA urban populace reside in communities having such codes. A 1966 report of the Advisory Commission examined the intergovernmental problems of building code preparation and administration, including maintaining up-to-date code provisions and uniformity of requirements among code jurisdictions. The emphasis of the report is on the impact of building codes on dwellings, rather than on commercial and industrial structures, because of the broad, general interest in the availability of housing for all economic

and social groups. The provisions of building codes significantly affect such availability.

Building Codes: A State of Chaos. The application of a code of building regulations traditionally has been delegated by the State to its local governments as an exercise of police powers. A recent study for the National Commission on Urban Problems also known, after its chairman, former Senator Paul H. Douglas, as the "Douglas Commission," showed the widespread, decentralized, and diverse nature of local building regulation within metropolitan areas.²²

It found that less than half of all local governments had adopted building codes by early 1968 (see Table 10). However, 40.5 percent of the 7,609 local governments within SMSA's had not adopted such codes. In a further breakdown, the study showed that 69 percent of the municipalities within SMSA's had adopted building codes while 61 percent outside SMSA's had adopted codes. The record of New England-type townships is poorer: 41.9 percent within SMSA's and only 18.7 percent outside SMSA's.²³ Finally, the survey shows that county adoption of building codes is even worse with only 39.4 percent of these jurisdictions within and 9.7 percent outside SMSA's reporting adoption.

Each jurisdiction, large or small, typically has the right to determine its own building code provisions. Few, however, have the capacity to develop these codes "from scratch." Practically all local building codes have been copied to a considerable degree either from a larger jurisdiction or, more commonly, from a "model" building code. Four model codes, developed by various national or regional organizations, deal especially with building construction and certain national model codes for plumbing and electrical installations. A few States, such as Connecticut, New Jersey, and New York, have developed model building codes for optional adoption by their local governments.

The various model codes reflect general agreement on many aspects of construction. If the provisions of a model code were applied fully and consistently by local governments, diversity would be greatly limited or rendered insignificant. However, this is not the case. Half of the regulating places of 5,000-plus population, it is estimated, have a code based "closely" on one of the

²² Allen D. Manvel, *Local Land and Building Regulation*, Research Report No. 6, National Commission on Urban Problems (Washington, D.C.: 1968), Tables 1 and 2.

²³ The "total" number of communities tabulated in the Douglas Commission study relates to governments subject to sample survey representation, and this omits (a) all municipalities and townships of less than 1,000 population located outside of SMSA's; and (b) township governments located in States where these governments lack municipal-type powers.

Table 10—Proportion of Local Governments Adopting Building Codes: 1968

	Number of Governments	Percent Adopting Building Codes
Total	17,993	46.4
Within SMSA's	7,609	59.5
Outside SMSA's	10,384	36.8
County Governments	3,049	13.6
Within SMSA's	404	39.4
Outside SMSA's	2,645	9.7
Municipalities	9,984	64.9
Within SMSA's	4,977	69.0
Outside SMSA's	5,007	60.9
New England Type		
Townships	4,960	29.1
Within SMSA's	2,228	41.9
Outside SMSA's	2,732	18.7

Note: The "total" number of communities tabulated in the Douglas Commission study relates to governments subject to sample survey representation, and this omits (a) all municipalities and townships of less than 1,000 population located outside of SMSA's; and (b) township governments located in States where these governments lack municipal-type powers.

Source: The National Commission on Urban Problems, *Local Land and Building Regulation*, Research Report No. 6, (Washington, D. C.: 1968), p. 24.

four national or regional models. One-seventh of the total started from a model but made important departures, and more than one-sixth settled for a code based upon a State model. To complicate matters, only about one in four of those working from a model have kept their codes up to date by incorporating changes recommended recently by the code organizations. Thus many of the reported "model-code" jurisdictions actually prohibit various construction features that are permissible under the model codes.

Local building code practices have been criticized vigorously for years. Among the charges most frequently made are these:

- Local building codes regulate construction extensively by reference to particular materials, rather than in terms of performance requirements, thus tending to favor traditional products and methods as against innovations that might perform as well or better at less cost;
- Extreme decentralization of building-code powers makes it possible for small enclaves to impose excessive standards which may effectively "zone out" new building materials and construction methods and thereby add to the cost of urban housing;
- It is difficult for even the best-intentioned local governing body, which lacks access to objective technical advice, to detect regulative proposals

mainly designed to favor particular construction projects or labor practices and groups; and

- Builders and developers incur a considerable burden and expense in tracing and complying with the great diversity of local regulations.

Builders' testimony to the Douglas Commission cited examples of extra costs running to several hundred dollars or more per house as a result of local building codes more exacting than those of immediately neighboring parts of the same metropolitan area. Diverse regulations also hamper large-scale operations and standard marketing approaches and this can hike costs. Land and financing costs, however, are also important factors. And the manner in which the industry is organized should not be ignored. An estimated 125,000 building contractors, most of whom are small-volume businesses and are operating in a single metropolis, may be the most critical single factor in this high cost of housing practice.

No one really knows how much code variety costs within a metropolis. No one knows how much it may be hindering the growth of large builders who might, in turn, hire a large and permanent work force, and concentrate more on innovative and low-cost building techniques.

Laying Some Firm Foundations. To deal with these problems, the Advisory Commission has made a number of specific proposals.²⁴

Better construction research. In order to provide a better basis for increased use of performance standards in the public regulation of construction, the Commission urged that Congress authorize and finance an immediate cooperative program, drawing upon recognized public and private efforts, to develop national performance criteria and standards and testing procedures for building construction.

Many individuals and groups concerned with building are working out performance requirements for building materials which can be incorporated in codes, and each segment of the building industry has developed its own approach for application to its own special requirements. While these individual approaches are legitimate and necessary, progress has been slow. Marshalling the collective effort of the entire building industry could permit more wide-spread application of the performance concept.

²⁴These proposals were made in the Advisory Commission report *Building Codes: A Program for Intergovernmental Reform* (A-28; January 1966). Senator Ervin, Senator Mundt, State Representative Crank and State Senator DeStefano urged the Commission to delay action on the recommendations.

... that a continuing national program of building research be established to: (a) identify and define areas within the building field requiring research; (b) fill gaps in existing knowledge through encouragement and support of research; (c) formulate a continuing program for the integration and continuity of knowledge and experience; and (d) provide for demonstration projects that would contribute significantly to building technology.

Because of the potential importance of the Federal role in stimulating building technology, the Commission urged:²⁶

... the President to direct Federal agencies having major policy program responsibilities for construction and urban development... to cooperate in the developing of knowledge applicable to the solution of building problems.

A national building research program is needed to accompany development of the performance-standard concept. Current research, as diverse as it is, generally reflects a narrow range of interests. Government, industry, academic institutions, and nonprofit research and professional institutions all carry on separate and often uncoordinated programs.

The States, too, have a potential role in construction research, and the Commission has recommended that State agencies and institutions of higher education actively promote research programs, including establishment of a technical information service for public officials and private businesses.²⁷

The State-sponsored program should complement the national program. The State university has a special position and responsibility to encourage research in building construction. It is, after all, ideally suited to bring together government, industry, labor and community groups to focus on problems of building technology. Especially appropriate fields for State research are those arising from the special geographic, climatic, and economic characteristics of particular regions.

Greater uniformity of building requirements. Progress toward this objective requires action at all three levels of government. The Commission recommended two major types of Federal action. The President was urged to appoint a drafting group "representing all levels

of government to develop a model code with the participation of the model code groups and other interested public and private groups."²⁸ The drafting group should be charged with recommending "appropriate permanent machinery for keeping the code revised and up-to-date as well as a products-approval program to certify new products as to their conformance with code provisions."²⁹

Despite the current Federal involvement in various efforts to achieve better housing technology—including research, testing, and some technical help with code drafting—a federally sponsored nationwide model code has long been the subject of hot controversy. Most of the building industry agrees that the Federal government ought to spend much more than it does for building industry statistics, but the industry generally has viewed governmental involvement in building techniques and methods with some alarm, in that Federal administrative or legislative actions in this area might lead to favoring one building product over another.

The Advisory Commission, however, concluded that the need is pressing enough to warrant the establishment of a voluntary national model building code. The development of such a code, of course, would require the advice and assistance of model code groups and representatives of consumers, users, builders, architects, labor, and all levels of government. A national code commission could bring together persons of high reputation and competence from interested public and private groups, representing many different points of view, without domination or appearance of domination by the Federal government.

The full potential of a national model code can only be realized if the model is widely adopted throughout the nation. Federal and State actions to promote that objective are set forth in two Commission recommendations. At the Federal level, all construction agencies such as the General Services Administration and the Department of Defense, and agencies responsible for establishing standards over federally-aided constructions such as the Federal Housing Administration and the Farmers Home Administration, should apply consistent standards wherever possible.³⁰ This would directly affect a significant portion of the construction market in the country and would, in addition, serve as a "yardstick" in influencing decisions regarding the regulation of all construction.

²⁵ *Building Codes* . . . , p. 85; implemented in part by Section 1010 of P.L. 89-274, which directs the Secretary of HUD to conduct research and studies to test and demonstrate new and improved techniques and methods.

²⁶ *Ibid.*, p. 85.

²⁷ *Ibid.*, p. 87.

²⁸ *Ibid.*, p. 89; Representative Crank dissented.

²⁹ *Ibid.*, p. 89.

³⁰ *Ibid.*, p. 91.

As a consequence of this recommendation, the U.S. Bureau of the Budget set up an interdepartmental study group to consider ways to make Federal agency standards more uniform. In a preliminary report, the group suggested several steps in this direction that might be taken by the agencies on an individual basis.

At the State level, legislation was sanctioned by the Commission that would authorize and direct a State agency to prepare and promulgate a comprehensive model building code.³¹ In related recommendations, the Commission also urged that State and local agencies responsible for construction programs "... incorporate the standards of the State model code as their rules and regulations for public construction."³² State loan and grant program policy might be conditioned upon local government conformance of aided projects to the State model code.

State governments and their local units occupy a key position in efforts to modernize building codes and to achieve uniformity. Federal action can be significant where direct Federal grant or loan programs are involved, but still will not directly touch the great bulk of the nation's building construction activity. The broad police power to regulate all phases of building construction, after all, is lodged at the State and local level.

The development of a State model code then can be a major step toward more modern and uniform building regulation. The State can maintain its own research facilities and a staff of trained architects, engineers and other specialists. It could evaluate new building materials and devices and adopt appropriate standards, model codes and product approvals of national groups to keep the State abreast of the developments of the building industry. State-level testing of new products and new methods would bypass cumbersome local processes, as well as occasional local reluctance to entertain new ideas.³³

Recognizing that some States may not be prepared to enact legislation for a State model code, the Commis-

sion outlined an alternative approach which would work toward uniformity through a State construction review agency. In the words of the Commission proposal, this would involve:³⁴

... legislation creating a building construction review agency at the State level to consider appeals by affected parties from the decisions of local government. Through its decisions the review agency would establish uniform interpretation of standards.

Such an arrangement would be designed to facilitate the introduction of new materials of construction and building systems by providing an alternative to the costly and time-consuming procedures of approval established in each individual community.

Most local building codes provide some type of machinery for local appeal from the decisions of the administering officials, and well-drafted codes also include specific provisions for court review. Yet, the availability of a State appeal agency should not only help prevent arbitrary or discriminatory action locally but, in time, promote greater consistency in code provisions and their interpretation by various jurisdictions.

As an alternative to a statewide appeals body, State legislation might provide for a review agency to deal with metropolitan areas only. This would promote greater uniformity where problems of diversity are most troublesome, without affecting the traditional structure of local building code adoption, interpretation, and enforcement elsewhere in the States. The draft legislation incorporates all of these options.³⁵

Much of the existing variation in building codes is, as we have seen, a result of localized departures from model code provisions. To help meet this immediate problem and until development of a national model and additional State model codes, the Commission recommended that:

... the States enable local jurisdictions to adopt a recognized uniform building code by reference and permit future changes in the recognized model code to be adopted by administrative action.³⁶

³⁴ *Building Codes* . . . , p. 96.

³⁵ Part of Code 35-10-00, mentioned above. (*1970 Cumulative* . . .)

³⁶ *Building Codes* . . . , p. 97. A draft bill to implement this recommendation follows in large part a model act developed by the National Institute of Municipal Law Officers. The legislation would permit adoption not only of a State or nationally-recognized model code, but of a code prepared by a county, metropolitan, or regional agency. A number of States—including Kansas, Montana, Utah, and Vermont—recently have granted authority along the lines suggested, and Minnesota has expanded pre-existing authority. *1970 Cumulative* . . . , Code 32-40-00.

³¹ *Ibid.*, p. 94.

³² *Ibid.*, p. 94.

³³ A draft bill has been prepared to implement these recommendations, based on the New York State Building Code Law adopted in 1964. It provides for the development and adoption of a State building construction code, and code standards, with the help of a wide range of consultants from other State agencies, local governments, industries, and interest groups. It would require a State-level agency to test and approve materials, devices, and methods of construction. Under the draft bill, adoption of the State model by localities would be permissive; however, local departures from the code could be made only with the approval of the agency. A State board of review would be established to hear appeals from the provisions of the code. See *1970 Cumulative ACIR State Legislative Program* (Code 35-10-00) (M-48; August 1969).

This proposal, if adopted, would greatly facilitate keeping local codes up to date.

Improving administration of building codes. Effective enforcement of building regulations depends largely upon the competence of building officials and inspectors. The Commission has recognized this and urged that a State supervisory agency be empowered to establish professional qualifications for building inspectors and license candidates as to their fitness for employment on the basis of examinations given by it, or of examination satisfactory to it given by a State or local agency. The State agency should be able to revoke licenses for good and sufficient cause.³⁷ State salary supplements for local building code inspectors would compensate for the higher pay scales that probably would result from the licensing program.³⁸

Many local building officials are not qualified at present to administer a performance-type code. While these officials might deal competently with traditional buildings, advances in building technology demand more expert knowledge of a wide variety of building practices and materials. The Commission, therefore, urged State-supported programs for the training of building inspectors.³⁹ Pre-entry and in-service training is an indispensable prerequisite for effective code enforcement. State support and Federal grants to States under Title VIII of the Housing Act of 1964 could help underwrite the cost of such training.

Jurisdictional fragmentation, a balkanized building industry, conflicting private interest, and oblivious public opinion—these are some of the elements of the costly, chaotic building codes picture found in most urban settings.

Development Programs and the Displacement of People

The American creed calls for righting the human damage caused by urban physical growth: so far as possible, improvement in the lives of the majority should not come at the cost of uncompensated loss for the majority. This tenet presumably should apply when government acquires private property to advance public programs.

But does it?

Inevitably, people are displaced by public action in urban areas: by highway construction, central city renewal, housing code enforcement, and the construction of schools and other public works. Much of this

³⁷ *Building Codes . . .*, p. 99; State Senator DeStefano and Mayor Goldner dissented.

³⁸ A draft bill (Code 35-26-00) suggests the procedure for setting up such an agency, categories for licenses, and operating methods (1970 *Cumulative . . .*).

³⁹ *Building Codes . . .*, p. 100.

action causes demolition, and takes place in older, more rundown parts of the metropolitan area—above all in the core city. It displaces the low-income tenant and homeowner and the owners of little businesses who need low-rent quarters to survive. These are the people who find it hardest to relocate, because the supply of low-cost housing and store sites are diminished by the very program that displaces them and because, too often, their race effectively limits their choice of living areas.

Renewal and Relocation. The total number of people displaced by the accelerating pace of demolition and reconstruction in recent years is difficult to estimate. The Senate Subcommittee on Intergovernmental Relations' hearings on relocation legislation suggest that the present annual rate is somewhere in the vicinity of 100,000 for federally aided programs. A study undertaken by the National Association of Home Builders put the total amount of housing torn down because of public action between 1950 and 1968 at 2.39 million dwelling units! The greatest bulldozers were the federally aided programs of urban renewal, highways, and public housing, and the local enforcement of housing codes. The authors estimated that demolition by private action totaled almost the same amount—another 2.35 million!⁴⁰

Of course, all this is not a net loss. Much private housing has been built on urban renewal sites and public housing on other sites, and when private owners tear down buildings it is often to replace them with apartments. But the match for the residents, both in price and quantity, between what was there and what goes up instead is not very close.

The housing demolished has primarily sheltered the poor, the near-poor, and the lower middle class. Public housing construction and most urban renewal naturally occurs in areas with large amounts of substandard housing, where by definition few of the upper income groups live and where, according to a study undertaken for the National Commission on Urban Problems, at least 57 percent of the families are poor.⁴¹ Highways also tend to push through the lower-income parts of cities, partly because the property values there are often lower than in the better sections and partly because the residents have been less articulate and effective in their opposition.

⁴⁰ Michael Sumichrast and Norman Farquhar, *Demolition and Other Factors in Housing Replacement Demand* (Washington, D.C.: National Association of Home Builders, 1967), p. 17.

⁴¹ Robert Groberg, *Urban Renewal Programs Assisted by Title I of the Housing Act of 1949*, Research Report, National Commission on Urban Problems (Washington, D.C.: 1968), (unpublished).

Prospects for the future call for more demolition. The plans for urban renewal, according to the study just mentioned, call for the removal of 360,000 more housing units. The Bureau of Public Roads estimated that highway construction in the three-year period commencing July 1, 1967 would demolish urban housing units at the rate of 49,000 a year. Additional demolitions will take place from public housing construction and local code enforcement.

Needed: Uniform and Equitable Relocation Policies. According to a survey taken by the Advisory Commission and the United States Conference of Mayors, the single most important obstacle to speedy and humane relocation is the inadequate supply of housing, both private and public. Many cities have delayed their property acquisition for urban renewal because they cannot find housing for the people who would be displaced. This prompted the Commission to recommend:⁴²

... that Congress require that State and local governments administering Federal grant-in-aid programs assure the availability of standard housing before proceeding with any property acquisition that displaces people. This requirement should be at least comparable to that in existing Federal urban renewal legislation, assuring that (i) there is a feasible method for temporary relocation of displaced families and individuals, and that (ii) there are or are being provided standard housing units at least as great in number as the number of such displaced families and individuals, available to them, within their financial means, reasonably accessible to their places of employment, and in areas that are not generally less desirable in regard to public utilities and public and commercial facilities than the areas from which they are displaced.

Legislation that would establish this requirement was introduced in Congress in 1965 and 1967 and again in 1969.⁴³ The Commission also urged States to enact equivalent legislation for State and local programs.⁴⁴

⁴² Advisory Commission on Intergovernmental Relations, *Relocation: Unequal Treatment of People and Businesses Displaced by Governments*, (A-26; January 1965), p. 114.

⁴³ S.1, 91st Congress, 1st Sess., Title II, Sec. 231.

⁴⁴ *Relocation* . . . , p. 116. A comprehensive relocation draft bill has been drawn up for the consideration of State legislatures. One of its sections provides that State and local governments acquiring property shall provide not only temporary relocation but assurance of standard housing at rents or prices within the means of those displaced and reasonably accessible to their places of employment. See *1970 Cumulative* . . . , Code 35-60-00.

Subsequent to the issuance of the Commission's report some encouraging developments have occurred. California has required assurance of replacement housing in redevelopment projects; Massachusetts has required a showing of availability of housing wherever the occupants of more than five units are displaced by any project; New Jersey has required certification that a workable relocation assistance program exists before any displacing action can occur and the program must include assistance in obtaining comparable replacement housing; and Michigan has required relocation for urban renewal displacees. Michigan also requires that public housing projects composed of 200 or more units provide housing within the new project for the former residents.

Even where an adequate supply of housing exists, it may be unavailable to displaced families because of racial discrimination. With the general problem of racial barriers in mind, the Commission in a 1965 report urged the Federal Government and the States to cooperate in enforcing Federal and State laws against discrimination in housing.⁴⁵ Considerable progress has occurred since that report; with the signing of the Civil Rights Act of 1968, racial or religious discrimination in the advertising, sales or rental of the bulk of housing was forbidden. Applying the ban to various classes of housing will proceed in stages but by 1970 is slated to cover 80 percent of all housing.⁴⁶ In June, 1968, a Supreme Court ruling (*Jones v. Mayer Co.*) forbade racial discrimination in the sale or rental of property and this provides injunctive relief for citizens.

Yet, the existence of these two strong legal weapons probably will not ensure rapid disappearance of discrimination in access to housing. Where arbitrary action continues, only the slow process of appeal on the basis of the new law and the new interpretation will overturn the practice.

In January 1965, 18 States had laws against discrimination in publicly-assisted housing, and 12 of these forbade discrimination in private housing. By mid-1968, the District of Columbia, Puerto Rico, and 24 States had passed laws forbidding private discrimination, although coverage and enforcement procedures varied widely.⁴⁷ Until the enactment of the 1968 Civil Rights Act, the effectiveness of these State laws depended to some extent on cooperation with Federal agencies

⁴⁵ Advisory Commission on Intergovernmental Relations, *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs* (A-25; January 1965), p. 104.

⁴⁶ P.L. 90-284, Title VII.

⁴⁷ *Facts and Issues* (Washington, D.C.: League of Women Voters of the United States, Publication No. 333, August 1968).

aiming at the same goal. Individual States had been working out "memoranda of understanding" starting in 1963. The new Act supersedes State and local laws, but where State laws are in substantial conformance with the Federal statute, agreements will be worked out to enforce the law at the State level.⁴⁸

Cost can be just as effective a barrier to procuring housing for low-income groups as discrimination. The Commission suggested several actions in 1965 to help ease the supply of low-cost housing,⁴⁹ and Federal laws have implemented them since: authority for lease or purchase of existing private housing by public housing authorities; rent supplements to low income families which permit them to move into housing owned by private non-profit owners;⁵⁰ and grants to private organizations to help them build or otherwise provide low-cost housing.⁵¹

The government has recognized that it owes help to those it displaces. But the assistance provided varies greatly from program to program and jurisdiction to jurisdiction. The Federal urban renewal program has displaced the most people, but it also has provided the most assistance. A man displaced from his residence by urban renewal and other programs of the Department of Housing and Urban Development can collect moving fees up to \$200. If he is a low-income person, he is entitled to an additional sum of up to \$1,000 over a two-year period to supplement his income for the payment of rent in adequate quarters. If he owns his home, the displacee may get up to \$5,000 to help him purchase another home of modest standards and size to meet his needs.

A businessman displaced by these HUD programs may claim the full cost of moving expenses without limit, but everything above \$25,000 requires personal approval of the Secretary of HUD. Small independent businesses—i.e., with annual net earnings of under \$10,000 and not part of a chain—may in addition receive a flat relocation payment of \$2,500. Businesses are also entitled to additional payments for the cost of transferring property similar to those paid to residential displacees.

The displacee can call on an experienced office which must find him a house comparable to his present home in price and other characteristics, and assist him in relocating and in obtaining loans and other kinds of

assistance. If his income is low, he has priority in admission to public housing.

Enactment of the Federal-Aid Highway Act of 1968 put relocation assistance for those displaced by the interstate and regular highway programs almost on a par with that offered to urban renewal displacees, although the urban renewal program provides more generous reimbursement to localities for payments made. Relocation payments are now mandatory, and standard housing must be made available prior to displacement "to the extent that can reasonably be accomplished." Thus the two Federal programs causing the most displacement (together, they dislocate 65 percent of the people and 90 percent of the businesses) are now generally uniform, with respect to basic moving costs.

Yet other Federal programs with a measurable impact still remain with relocation provisions substantially different than those of the urban development and highway programs. The Commission urged that Congress establish a uniform policy of relocation payments and advisory assistance for persons and businesses displaced by Federal grant-in-aid and direct programs, and that the President direct that the necessary steps be taken to formulate uniform regulations for carrying out such a policy.⁵² Title II of S. 1 (91st Congress) would achieve this across-the-board uniformity in relocation payments and assistance.

The States should assume similar responsibility for repairing the dislocation brought on by its programs and those of localities and the Commission so recommended.⁵³ In Maryland, Massachusetts, Minnesota, New Jersey, New York, Pennsylvania, Tennessee, and Wisconsin general statutes require relocation payments in cases where requirements differ from those in Federal renewal programs. In other States, State law requires relocation efforts be made for specific projects, as in Rhode Island where payments for displacements caused by reservoir construction are required by State law.

Local government displacements are much more substantial than those of the States—resulting from housing code enforcement, school building, and various property acquisitions for parks, streets, off-street parking, and general public works. The mayor of Baltimore testified before the Senate Subcommittee on Intergovernmental Relations in 1969 that nonfederally assisted projects would displace 15 to 20 percent of the 10,000 families and 1500 businesses to be displaced in the next six years in his city. The ACIR-U.S. Conference of Mayors 1964 survey found that about one-half of the

⁴⁸P.L. 90-284, Section 810 (c).

⁴⁹*Metropolitan . . . Disparities . . .*, p. 99.

⁵⁰Governor Anderson, Mayor Goldner and Mrs. Wilcox dissented.

⁵¹P.L. 90-448.

⁵²Relocation . . . , p. 106.

⁵³*Ibid.*, p. 110.

cities reporting were paying relocation expenses on local projects.

From the standpoint of the man displaced, his injury is the same no matter who inflicted it, and in equity he should receive the same money, the same counseling and assistance, and the same access to comparable housing—whether he is displaced by the Federal, State, or local government. Draft legislation, previously noted, to implement the Commission's recommendations provides for a uniform State and local policy. Five States in recent years have legislated such a state-wide policy: New York, Massachusetts, California, Indiana, and New Jersey.

The Federal Government also has a responsibility to assure adequate relocation payments for persons displaced by federally-aided projects. Hence, the Commission proposed that under Federal grant programs, the full costs of payments to any person for relocating a family, and the costs of payments up to \$25,000 to any relocating business be completely reimbursed by the Federal Government. The business relocation costs in excess of that amount should be shared according to the cost-sharing formula governing the particular program.

Federal grant programs administered by the Department of Housing and Urban Development reimburse localities for the payment of all household moving expenses up to \$200 and business moving expenses up to \$25,000. Highway programs, however, require a State contribution on the same matching basis as the overall project costs.

Similarly, in State-financed or aided programs, the Commission urged that the States share in local relocation costs when they are incurred in programs involving State aid or Federal grants to which the State contributes a portion of the local share.⁵⁴

Better administration of relocation assistance would greatly ameliorate the ill-effects of displacement and the Commission sanctioned the proposal that Congress and State legislatures assign to administrative agencies responsibility for determining the amount of relocation payments, subject to specific statutory maximums. Massachusetts and California have assigned the determination of moving costs to specific agencies; North Carolina and Alabama have assigned determination of total compensation to their highway departments.

Of equal significance, the Commission urged that Federal, State, and local governments authorize and encourage all agencies causing displacements in urban areas to centralize in one agency in each major urban jurisdiction, the job of determining the availability of relocation housing and the types and amounts of housing needed; of administering payments to displaced persons and businesses; and of providing counseling, information, and other assistance to such displacees.⁵⁵

In focusing on the inequities and inanities of governmental relocation programs, the Commission has demonstrated that sound public administration need not necessarily conflict with sensitive and humane public policy. On the contrary, in urging simplification and standardization of the many existing programs, the Commission has sought to humanize governments—especially urban government—at a time when they appear most cold and impersonal.

Urban Development Planning and Land Use Regulation

Urban land is an enormously valuable national resource, but given our approach to urban planning and land use regulation, one might assume its supply is limitless. Privately-owned land devoted to urban uses, according to one study, was worth about \$320 billion in 1966, or more than \$1,500 for each person in the Nation.⁵⁶

Local governments are directly concerned with urban land use in two major ways: (1) through their own land needs for streets and roads, parks, and other public facilities—altogether typically demanding nearly one-third of the land area in sizable cities;⁵⁷ and (2) through their power to regulate private uses of land, in the interest of public safety and welfare. The latter is most clearly reflected in local zoning ordinances, pioneered in 1916 by New York City and now applied in practically all incorporated places of consequential size and by some county governments. A related development has involved the widespread creation of local planning agencies, having as a minimum responsibility the study of prospective uses of urban land and their implications for governmental programs and policies. More recently, areawide planning efforts, requirements, and agencies

⁵⁵Relocation . . . , p. 122.

⁵⁶Allen D. Manvel, *Three Land Research Studies* (Research Report No. 12, National Commission on Urban Problems (Washington, D.C.: 1968) p. 2.

⁵⁷*Ibid.*, p. 22. In the typical city of 100,000-plus, streets alone occupy 17.5 percent of the city land area and other public uses take 13.7 percent.

⁵⁴The draft relocation legislation (1970 Cumulative . . . , Code 35-60-00) incorporates this provision with regard to state-aided programs of property acquisition. Ohio and North Carolina have since authorized State sharing in displacement costs of highway programs; Indiana and New Jersey have provided State aid for relocation under a uniform aid program. Alabama, as mentioned above, aids highway displacees directly.

have emerged as a result of combined Federal-State-local action, and have commanded major attention.

Plans, Plans, Plans. What is a plan? According to one definition, a plan is a term used generally to describe "a proposed method of action or procedure." This broad usage is reflected in some of the subsequent discussion. More often, however, the term is used here in a governmental context and refers to what is frequently called a "comprehensive plan." Such a plan is a statement, in words and graphics, of a government's determination as to how its area should be developed and appear at some future date. It usually specifies the preferred use of all land, anticipated traffic patterns, and the location of public facilities, and historically it was wholly concerned with these physical development matters. Today, it uses not only an inventory of physical stock (streets, buildings, and community facilities), but social and economic data including population density, incomes, and educational levels. Thus, while it is expressed in physical terms, it is based on assumptions and goals concerning people: their expected or desired density of settlement, their location, and their requirements for public facilities and amenities.

The plan then is at once a description of current physical and human resource conditions; an assessment of the direction in which the community is developing; an expression of desired goals; and a recommendation of governmental steps required to reach those goals, including stages of suggested capital improvements.

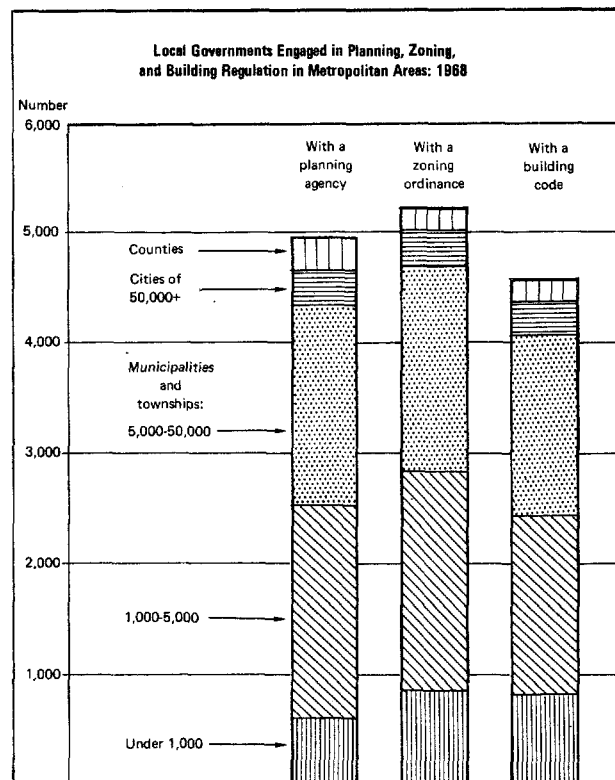
Planning Bodies, Planners, and Their Powers. A recent study issued by the National Commission on Urban Problems indicates that about half the county governments in the nation, including four-fifths of those in metropolitan areas, have a planning board—a marked increase over the figures of an earlier, 1966 survey conducted by the American Institute of Planners. Only about half of these boards, however, control land-use through zoning or subdivision regulations.⁵⁸ At the same time, the overwhelming majority of municipalities and New England-type townships of 5,000 population or more have planning boards and various types of land-use controls. The 3,600 municipal planning boards average about 7 members each, indicating a total of over 25,000.

About three-fourths of these municipalities with planning boards and zoning ordinances reportedly have prepared a "master plan" for future land-use. In about one third of these instances, the plan was published within the past two years.

Approximately three-fourths of the nation's population lives in jurisdictions having local planning and

zoning, including more than nine-tenths of the metropolitan sector. Yet, the area subject to such municipal efforts is only a tiny fraction of the Nation's land mass and only a slightly larger proportion of our metropolitan areas. In 1960, as a matter of fact, municipalities encompassed less than 7 percent of the total land area of SMSA's.

Figure-11



Municipal planning then in the vast majority of instances relates to relatively small local areas. Of the nearly 5,000 incorporated places in SMSA's, only about 150 cover 25 square miles or more. Less than 500 of them include 9 square miles.

Areawide planning agencies have cropped up on nearly every metropolitan landscape in recent years. This development has been stimulated by an increase in State permissive legislation; the 701 planning grant program, including its extension to COG's; and by Sec. 204 of the Metropolitan Development Act of 1966. This Section—originally proposed by the Advisory Commission in 1961—makes certain Federal grants to local governments in metropolitan areas conditional upon advance review and comment by an areawide agency whose functions include planning (or, lacking such, by a State agency designated by the Governor).

⁵⁸Manvel, Research Report No. 6, *Local Land and Building Regulations* . . . , Tables 1 and 2.

By late 1968, there were 171 locally established "areawide" planning agencies authorized to handle this review task, with respect to all or part of 208 SMSA's, leaving only 22 SMSA's without such a locally-established metropolitan planning agency.⁵⁹ Most of these agencies have jurisdiction over a single entire "standard metropolitan statistical area," as defined by the Bureau of the Census. But 25 cover less than an entire SMSA and a similar number have broader scope, including 14 involving two or more SMSA's.

Thirty six percent of these review bodies are single county or city-county agencies. A nearly comparable proportion (35%) are regional planning commissions made up of two or more counties. Over one fifth of the total designations are voluntary councils of government. The remainder are metropolitan transportation or State planning agencies. While several SMSA's have more than one agency involved in planning, this Sec. 204 breakdown suggests the relative strength and scope of various kinds of areawide planning instrumentalities.

Public control of the use of privately-owned land operates mainly through zoning provisions and related subdivision regulations. The balkanization of land-regulating power within metropolitan areas is highlighted by the fact that some 5,200, or more than two-thirds, of the 7,609 general-purpose governments located in SMSA's have local land-zoning regulatory authority. Most of these, however, are small jurisdictions and include some 829 municipalities and townships of less than 1,000 population and another 1,977 in the 1 to 5 thousand bracket. Only 2,194 fall in the 5,000 plus category, and only 199 (out of a possible 404) are county governments. While these various land-regulating jurisdictions possess about nine-tenths of the metropolitan population, they cover only a minor portion of all metropolitan territory. To complete matters, less than one-third of them have any full-time employees engaged in zoning or related planning and building regulation activities. Only one in ten has a full-time person assigned these responsibilities and paid at an annual salary rate of \$12,000 or more.

Whether large or small, these jurisdictions typically have the legal authority to exert their zoning powers without regard to the needs or opinions of their neighbors. The officials of each municipality naturally feel that they are using their municipal powers for their town's best advantage. But a basic tenet of the Advisory Commission's philosophy is that with increasing size and complexity of metropolitan problems, the rights of the

individual community are circumscribed by the rights of other communities.

Toward More Effective Planning and Land Use Regulation. The Advisory Commission is strongly committed to an effective system of planning and regulation of land-use within metropolitan and other areas.

Providing responsible metropolitan planning bodies. One of the earliest Commission reports emphasized the pressing need for consistency of planning and zoning efforts within metropolitan areas and the value of authorizing establishment of responsible and representative areawide bodies vested with appropriate powers, including the development of areawide plans for land-use and capital facilities and the review of zoning ordinances proposed by the component units of government in the area.⁶⁰

Improving Federal provisions that affect local and State planning. The Commission has sanctioned various proposals to upgrade Federal program requirements affecting State, regional and local planning endeavors. To strengthen areawide planning and cooperation and to upgrade Federal agency processing of its urban development grants, the Commission advanced the concept of review and comment by an areawide agency (discussed above in connection with Section 204) some eight years ago. The significance and impact of this approach is now linked with part of Section 204's history. After its first year of operation, the Bureau of the Budget reported:

Generally speaking, the Section 204 requirement has been implemented with fewer problems than might have been expected, considering (1) the limited time between the passage of the Demonstration Cities and Metropolitan Development Act of 1966 (11/3/66) and the effective date (7/1/67); (2) the confusion caused by the "Cramer amendment"; (3) the unfamiliarity of the metropolitan review process to some agencies; and (4) the large number of SMSA's with no areawide agency. Some Federal programs are now only getting geared

⁶⁰ *Governmental Structure . . .*, p. 32. A draft bill (1970 Cumulative . . . Code 31-32-00) on this subject calls for State authorization of metropolitan planning bodies by formal inter-local agreement among municipalities or counties in the area. Their membership would consist largely of local elected officials representing the participating governments. Their responsibilities would include preparation of a comprehensive plan for the metropolitan area coordinating the planning activities of localities in the area with each other and with those of the Federal and State levels. The agency also is empowered to review and comment on the local application for State and Federal aid and on State plans for highway and public works affecting the area. The draft bill, however, provides for adoption of the metropolitan plan by local units of government and gives review power to the agency overall local plans, ordinances and projects.

⁵⁹ U.S. Bureau of the Budget, *Section 204—The First Year* (Washington, D.C.: September 24, 1968, processed).

up to implement the requirement, and for some few metropolitan areas, implementation by the areawide agency is nominal at best. Yet the requirement now has become widely known and, by and large, accepted as a fact of life in most metropolitan areas.⁶¹

Five years ago, the Commission after an extensive probe of the impact of Federal urban development programs on local governmental planning and organization urged—among other things—that Congress and relevant Federal agencies “require and promote effective planning at all local levels” where appropriate in Federal urban development programs.⁶² Congressional endorsement of the principle of interagency program coordination was sanctioned as was adoption of a unified urban development policy within the Executive branch. These then were the foundations of Title IV of the Intergovernmental Cooperation Act of 1968 (P.L. 90-577) which requires that all viewpoints—national, regional, State, and local—be considered in planning Federal and federally assisted programs:

- Federal urban and other development grants shall be used for purposes consistent with those of local, areawide, and State comprehensive planning; and
- Federal agencies administering development grants shall consult with other affected agencies in order to assure fully coordinated programs.

The Bureau of the Budget has prepared rules and regulations for this and other titles of the law.⁶³ By translating its program and planning theme into practical procedures, the BOB guidelines, in effect, constitute a new breakthrough in Federal efforts to buttress the intergovernmental dimensions of regional planning—especially in urban areas.

To bring some order out of the one hundred thirty or more planning requirements in Federal grant programs, the Commission has urged enactment of general legislation consolidating insofar as possible into a single Congressional enactment a set of planning requirements—both functional and comprehensive—to be applicable to grant-in-aid programs, especially those dealing with or affecting urban development. Draft legislation to carry out this recommendation has been introduced in the 91st Congress.⁶⁴

⁶¹Section 204—*The First Year*.

⁶²Advisory Commission on Intergovernmental Relations, *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (A-20, May 1964), p. 34.

⁶³BOB Circular A-95.

⁶⁴“The Balanced Urbanization Policy and Planning Act” of 1969, (H.R. 13217).

The Commission believes then that planning requirements should be made more uniform and consolidated into a lesser number of separate enactments. It also believes that Federal planning assistance should strengthen comprehensive planning as an arm of elected chief executives, at State, areawide and local levels; should require a closer interlinking of planning, programming, and coordination at those levels; and should relate Federally aided functional planning to comprehensive planning at such levels.⁶⁵ These recommendations for revamping the 701 planning grant programs also are incorporated in the proposed Balanced Urbanization Policy and Planning Act.

Curbing “fiscal” zoning practices. Much of the development taking place in urban areas today is influenced by local zoning ordinances but this is largely on a city-by-city basis. What is missing is coordination of zoning actions that have an impact beyond local boundaries.

The consequences of this parochialism are unfortunate. Competition among municipalities for land use developments which are productive of large tax revenues is apparent in many metropolitan areas. Local zoning policy here lies in fiscal competition rather than in a desirable arrangement of uses.

In addition, fiscal zoning is also geared to keeping governmental costs at a minimum and protecting existing general surroundings by zoning exclusively for homes on large lots. Elaborate relationships between housing costs, family incomes, number of school children, and other governmental services are figured in as arguments for or against zoning changes. Local officials frequently rationalize this kind of zoning as action to carry out local fiscal policies. The result of such a policy is to reinforce socio-economic disparities as it virtually ensures construction of homes which can be purchased only by high-income families. Other adverse effects of fiscal zoning were detailed in the preceding chapter of this volume. Suffice it to say such zoning policies are self-defeating and may result in a reduction of total metropolitan economic resources, as well as greater intergovernmental conflict—instead of cooperation—in these areas.

To help correct this imbalance between power and responsibilities, the Commission has urged State legislative action to restrict zoning authority in metropolitan areas to larger municipalities and in many places to county government, and to require that such zoning

⁶⁵Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System* (A-31; October 1967), Vol. 1, p. 34.

authority be exercised in a manner to permit a wide range of housing prices within the area covered.⁶⁶

If the larger units of government encompass most—if not all—of the metropolitan area, sufficient legal power representing a diversity of viewpoints can be brought to bear on development decisions. Areawide coordination of planning and zoning matters then is made possible by establishing a review procedure over municipal actions. Of course, many municipal planning and zoning matters have little effect outside municipal boundaries. But many do! Action by municipalities to change the types of land use for property bordering major county or State highways and parks can have an impact. Decreasing the front yard setback or minimum lot width of any property abutting any such highway or park clearly can have an effect. Connecting a new street with such highways or connecting new drainage lines into existing channel lines may create spill-over problems. Finally, reducing residential densities to less than three families per acre can easily have an effect beyond the corporate boundaries. These local actions should be reviewed by the larger unit of government for consistency with areawide planning objectives, and especially for their tendency toward exclusive or fiscal zoning.

These proposals were supplemented by a 1968 Commission recommendation that the States in implementing their balanced urbanization plans consider strengthening county governments and vesting them with appropriate powers, including authority for planning, zoning, subdivision and building regulation and other powers associated with control of urban growth, with special reference to the rapidly urbanizing fringe portions of metropolitan areas.⁶⁷ Such powers are especially critical for county governments, since they usually exercise sole responsibility below the State level for the unincorporated areas where such development generally takes place. If given these powers, counties then must hire the personnel and establish the organizational structure capable of dealing with public development authorities, private developers, and other corpora-

tions and agencies which may undertake large-scale and new community development.

Providing for extraterritorial planning and zoning. Other means also may be used to improve land-use control for urban fringe areas. Where effective county planning, zoning and subdivision regulation do not exist in the fringe area, State legislatures should enact legislation making extraterritorial planning, zoning and subdivision regulation of unincorporated fringe areas available to their municipalities.⁶⁸

Extraterritorial power may hold only limited potential for resolving basic intergovernmental problems in metropolitan areas containing a large number of jurisdictions. However, in such areas where there are few incorporated jurisdictions and where counties do not exercise land use controls in the unincorporated fringe area, extraterritorial planning, zoning and subdivision regulation can be important tools for preventing the development of problem areas around individual cities. To provide a measure of protection against arbitrary action by the municipality, residents of the incorporated areas should have a voice in the imposition of the regulations applying to their own territory.⁶⁹ Over thirty States have authorized extraterritorial subdivision regulation and nearly half the States have authorized extraterritorial zoning.

Upgrading local land-use and development controls. Recent developments in land-use regulation offer new potential for guiding and regulating urban growth. States should consider enacting enabling legislation to realize fully the potential of local land-use and development programs emphasizing large-scale development, such as planned neighborhoods and new communities. Localities should be empowered to adopt official maps, planned unit development and unmapped or floating zone ordinances, and be permitted to require developers to dedicate or make cash payment-in-lieu of such dedication for parks and school sites.

The adoption of an "official map" specifically identifies future locations for streets, public facilities, parks, playgrounds and other public uses and officially reserves the sites for future public acquisition. Used in coordination with other measures as part of an over-all development program, the official map is a major tool to assist governments in directing growth and providing adequate services at a reasonable cost. The enabling legislation should permit localities to reserve for a stated period of time land for future public acquisition for

⁶⁶*Metropolitan . . . Disparities . . .*, p. 94. Draft legislation has been prepared to carry out the Commission's proposal. (1970 *Cumulative . . .* Code 31-34-00). It places primary responsibility for areawide coordination of zoning matters in the county. The draft bill provides that counties in metropolitan areas may exercise planning and zoning authority for municipalities with less than 5,000 population, and for new municipalities until they reach the 30,000 mark. The county further has the right to review and approve certain planning and zoning actions for all existing municipalities between 5,000 and 30,000 people. The bill also provides for intermunicipal coordination of planning and zoning, including specific opportunity for an abutting municipality to be notified of and comment upon certain actions that would affect property in its territory.

⁶⁷*Urban and Rural America . . .*, p. 166.

⁶⁸Advisory Commission on Intergovernmental Relations, *Alternative Approaches to Governmental Reorganization in Metropolitan Areas* (A-11; June, 1962). p. 24.

⁶⁹See 1970 *Cumulative . . .* Code 31-31-00.

streets, public facilities, parks, playgrounds and other public uses.⁷⁰

In most States, subdivision developers can be required by local governments to provide streets, curbs, gutters, sidewalks, sewer lines, water lines and storm drainage facilities to service their own subdivisions. Thus far, however, "mandatory dedication" requirements have been much less frequently used to assure land for parks and school sites although open space is a vital feature of sound subdivision design and is as necessary as the provision of such facilities as streets and sewers. Suggested legislation for mandatory dedication of park and school sites has been drafted as an amendment to existing legislation authorizing local subdivision regulation.⁷¹

Land-use regulatory provisions for large-scale and new community developments have been authorized in some local jurisdictions in the form of "planned unit development" zoning provisions. Local enactment of such regulations is probably one of the most significant steps that can be taken to encourage new community development. It is particularly appropriate for application in developing areas.

Lot-by-lot regulation under existing zoning procedures may be adequate for controlling development in built-up areas. It is designed primarily to prevent the use of one lot from injuring the present or future use of an adjoining lot. However, such regulation may be inappropriate and unduly restrictive where development of all lots occurs at about the same time and is done by a single party. The planned unit development approach allows a developer more design flexibility in lot size, building site location, and housing types as long as overall land-use intensity is maintained and open space is provided.⁷²

A fourth tool that should be made available by the States to their local jurisdictions is the authority to adopt "unmapped or floating zones." This innovation is a type of zoning district that is defined in the text of a

zoning ordinance but not located on the accompanying map. This new technique is well-suited to large-scale projects that could be located in any of several different places. It is particularly appropriate for neighborhood, community, and regional shopping centers, where there will be only one or a few such projects within a fairly well-defined overall area. Advance specification of locational standards will, of course, limit the range of possible placement of such centers, but explicit zoning for a particular tract does not occur until a developer or owner takes the initiative to seek such action. Undertaking a project at one of the possible locations would eliminate several of the alternative sites. This approach reduces the scattering of commercial uses which often leave surrounding land undesirable for many uses.

Authorizing State regulation of the use of highway-fringe land. Highways, along with water and sewer lines and facilities, are among the major determinants of the location of urban development. Public decisions as to the location of these facilities can be a major method of channeling and influencing where and when urban growth will occur. Use of development controls along highways, coupled with an access policy related to areawide development plans, can exert a significant influence upon developmental patterns. Highway planning then should be an integral part of overall physical planning conducted by the State and its localities.

Special problems are created by the extension of major limited-access highways through rural countryside. In such areas, local governments often do not have adequate land-use controls to regulate the increased commercial, industrial, and home-building activities generated by the highways. Although the immediate rights-of-way of Federal interstate highways are rigidly regulated, the areas just beyond and particularly along access roads are becoming dreary, unsightly, honky-tonk strip developments of the worst sort. The very rigidity of the highway controls generates clustering of motel, restaurant, drive-in and other types of activities along the rights-of-way at access points and at interchanges. The ten-story-high filling-station sign looming up above all the natural features of the countryside has become a symbol of such development. The real problem comes from the fact that, once established, many of these uses can legally continue as "nonconforming uses," even when controls are finally inaugurated.

Governmental action to encourage economic growth might intensify these problems if adequate controls are not provided along interstate and other major highways. Where municipalities or counties do not exercise effective land-use and development controls at access points and along major highway rights-of-way, an appropriate State agency should be authorized to do so, pursuant to

⁷⁰ See *1970 Cumulative . . . Code 31-35-00*.

⁷¹ The draft legislation (*1970 Cumulative . . . Code 21-37-00*) requires that dedication be limited to areas subject to approved park and school site plans and that the locality must take into account differences in market value of property that may be included in any dedication. When a development is not large enough or where there is no satisfactory site within the development for dedication of a park or school site, the proposed legislation provides for payment-in-lieu by the developer.

⁷² A draft bill, (*1970 Cumulative . . . Code 31-36-00*), based largely on a New Jersey law and a 1968 Virginia proposal, authorizes local governments to adopt "planned unit development" regulations, which combine zoning, subdivision control, and other land-use procedures to allow greater design flexibility.

criteria and standards set forth in the authorizing legislation.⁷³

Formulating Urban Development Policy

The pattern of metropolitan development today results from the separate decisions of many private citizens—consumers, builders, landowners, developers, financial institutions, and many other groups and individuals. It also results from various governmental decisions (or non-decisions) including those relating to planning, land use regulations, land acquisition, and building codes, as we have seen.

Most of these decisions—including those made in the public sector and even those ostensibly concerned with orderly urban growth—are discrete, frequently disconnected, and often disappointing. And no wonder, given the multiplicity of governmental programs and jurisdictions operating in this area, the weakness of areawide mechanisms and the absence of any real policy at the national, State, or areawide level to help provide the framework for coordinative program action and for the targeting of long-range urban goals. The question arises then: should governments scrap their sporadic, frequently conflicting approaches toward metropolitan development? Should they seek to give sustained focus to their existing programs and policies insofar as they affect urban growth? Above all, should governments go beyond this and attempt to hammer out an overall policy regarding the location of future urban growth—in short, a national urbanization policy?

Advocates of affirmative responses to these tough questions usually contend that if present urban growth trends are permitted to continue, greater imbalances, greater pressures, greater inequities will arise. These ambitious urbanologists point to the growing disequilibrium resulting from more and more people heading into our largest metropolitan centers and of higher personal and public service costs in such areas. They warn of the perilous pressures of more intense social and psychic stress that greater and greater congestion can generate. They point to the already wide gaps between the economies of central cities and those of

most suburbs and to the ever widening gaps—in personal income, education, health, and economic terms—between urban and rural areas. They castigate the willy-nilly gobbling-up of land on the urban fringe. They cite these and other imbalances in the existing urbanization process and seek a new life style for future generations of Americans.

Critics condemn proponents of the national policy on several grounds. A debate between representatives of the two camps might well run something like this:

Critic: But a national policy geared to stemming the tide of urbanization runs counter to all history, to human nature, and to the voluntarism of our governmental system.

Proponent: This is not the goal of such a policy—or, at least the one I advocate. What we seek here is a policy that seeks to channel future urban growth. It is not a matter of balancing rural and urban populations. But it is a question of seeking to locate some of our future urban populace in what now are rural areas.

Critic: Even if this is your basic goal and I concede it to be a good one in theory, how in heaven's name can you achieve it in a governmental system as decentralized, as multi-centered as ours?

Proponent: That's an outdated point. Even unitary systems in Europe—Britain, France, and Sweden—are seeking out techniques of devolution and decentralization to cope with their urban planning and development. The American system then is at least as adaptable to the needs of such a policy as any other. Some would say—more so!

Critic: I doubt if either type can do it. In any event, how can you expect to heap up additional planning, programming and management responsibilities on a governmental system that already is creaking under the weight of numerous badly administered intergovernmental programs?

Proponent: Admittedly, intergovernmental administration at present is in a sorry state. But efforts are afoot at all levels to upgrade it. Moreover, I'm convinced that the focus, priority-setting, and long term direction involved in a national policy is just what is needed to energize the efforts of those seeking to better Federal-State-local administrative relationships.

Critic: I don't follow you.

Proponent: Let me put it this way: It's difficult to push administration changes at the national level, to achieve interagency program coordination, to curb the disjointed but dynamic efforts of the professionals. It's tough to achieve State government reorganization and significant involvement in

⁷³ *Urban and Rural America . . .*, p. 159. Draft legislation (1970 Cumulative . . . , Code 31-39-00) provides that a State regulatory commission within an appropriate agency or department of local affairs be empowered to decide whether local controls for particular areas are effective. If the agency finds they are ineffective it authorizes the establishment of a highway interchange planning district, which applies zoning controls, regulates the subdivision of land around interchanges, and issues building permits. Finally, provision is made for establishing or reestablishing local controls when the county or municipality shows itself ready to exercise them.

urban problems and programs. But with a national strategy, these various undertakings will be related to broad, basic problems like where and how will 115 million more Americans live between now and the year 2000? The old good government, economy and efficiency arguments are thread-bare. My argument is quite the reverse.

Critic: Maybe, yet your policy—if it is to achieve any reversal of present trends—obviously must involve the private sector and an expansion of the governmental role vis-a-vis this sector!

Proponent: You are partly right here, partly wrong. Of course, the private sector will be involved. It is now, and frequently responds to existing governmental urban policies that are conflicting and counter-productive. My pet idea is: we need coordinative mechanisms regarding housing policies, highways, agricultural programs, defense contracts and base locations—as much as we do new programs and policies. We need to remember that governments—State and local included—already condition urban and economic growth. We seek here a more rational playing out of this government role—not any gigantic shift toward greater governmental interventionism.

Critic: All this sounds soothing, but how can you devise a national policy without hammering out a hard and fast locational strategy? And even if you can produce a strategy, how can you make it stick?

Proponent: I concede a genuine national policy on urban growth must have a geographic foundation. I also admit that it will be difficult to work out—since ultimately it involves all three levels of government, as well as the Congress at the national level.

Critic: You admit then that the whole idea of national policy is infeasible because it would have no locational features.

Proponent: No, not quite! I think we are reaching a point where the dangers of sparsity as well as those relating to greater congestion are being recognized by more and more people. Moreover, to be frank about it, there's something in a genuine national urbanization policy for every major sector. There's political appeal here, I'm convinced of it.

Critic: Well, maybe, but I'm very, very skeptical.

As this dialogue would suggest, geography, economic growth, and density have much to do with a national urbanization policy. The Advisory Commission, in its report—*Urban and Rural America: Policies for Future Growth*—differentiated among certain kinds of

local areas and jurisdictions in an attempt to identify those suitable for intensified developmental effort:

Labor-surplus rural counties generally are areas of underemployment, with an older, underskilled, and undereducated population, resistant to moving. However, absence of transportation and communication links as well as natural resources make their economic prospects unpromising.

Labor-surplus city neighborhoods in large urban areas display considerable under- and unemployment, recent out-migration of blue-collar industry and difficulty of resident job seekers in traveling to blue-collar jobs in suburbs; but are close to large markets and have a large public investment in facilities essential to industry.

Small rural growth centers generally are “urban places” located in essentially rural counties not part of any metropolitan area. They have typically experienced some population and job growth in recent years; serve as major trade, transportation, service, and social centers for their surrounding areas; and are relatively free of major socio-economic problems.

Medium-size cities with job opportunities generally have substantial physical plant in place, steadily growing population and economic activity, socio-economic problems still open to solution, and strong links to sizable surrounding areas through good transportation and communication.

Labor-short suburbs in large urban areas are major growth points with a high level of economic activity, and an expanding demand for many kinds of labor, including blue-collar.

Of these various areas, two types would appear to merit special public efforts to stimulate private development: “small rural growth centers” and “labor-surplus city neighborhoods.” Of the rest, all but the labor-surplus rural counties will grow of their own accord.

Rural growth centers outside metropolitan areas could provide a handy destination for some job seekers from rural poverty areas who might otherwise head for the big urban centers. Some out-migrants from the central cities might also profitably head for these rural growth centers. “Rural growth centers” start with some important advantages. Even with these pluses, however, small size means that growth is not a sure thing. These communities must still compete against the strong pull of large urban centers, with their advantage of diversification. Outside (private and governmental) help then is probably needed to turn potential into actual growth.

It may seem shortsighted to urge measures for bringing industrial employment into (or back into) central cities, where congestion is already heavy. Yet

dispersion is a long-range policy; the exigencies of the moment indicate a need for simultaneous focusing on "gilding the ghetto." One of the basic dimensions of this is the challenge of the increasing concentration there of unskilled, low-income, frequently nonwhite people. Inner-city joblessness and underemployment are by-products of the flight of industry to the suburbs, the lack of adequate transportation service between central city and suburbs, and suburban discrimination in housing. Encouraging industrial location in core cities, however, will not stem in-migration.

But the people are there; so is the great investment of many decades in physical plant, and the continuing advantage of central location. Leaving the residents to shift for themselves, when they cannot get to the jobs, is to fuel further city explosions, like those of the summers of 1966-68. Yet, it must be stressed that on-site ghetto measures need to be complemented by other measures relating to dispersion.

Weighing all the pros and cons, the Commission has concluded that the potential advantages of national and State policies on urban growth clearly outweigh the disadvantages. Today, in an increasingly interdependent society, significant private actions relating to urban development are likely to have important public consequences, and few major governmental actions occur without affecting the private sector. The question then is not whether government should be involved, but how it can be involved most intelligently and effectively.

The Commission advocates governmental actions toward:

- Formation of a national policy on urbanization.
- Related adaptation of the programs of multi-State planning and development agencies.
- State efforts to develop and implement a considered policy concerning urban growth.

Formulation of a National Urbanization Policy. At the national level, the Commission has urged:⁷⁴

... the development of a policy incorporating social, economic, and other considerations to guide specific decisions at the national level which affect the patterns of urban growth.

... that the President and the Congress assign executive responsibility for this task to an appropriate executive agency.

... that the Congress provide within its standing committee structure a means to assure continuing systematic review and study of the progress toward such a national policy; [and]

... that the executive and legislative branches,

in the formulation of the national policy, consult with and take into account the views of State and local governments.

Many elements of a national policy exist separately, right now. Major components include the Employment Act of 1946 and the Housing Act of 1949. Each deals with a basic national goal affecting urbanization. But these are only the more obvious. Federal departments and agencies administering programs influencing urban or economic growth include virtually all of the major domestic ones and DOD should never be overlooked in this regard.

Yet no single agency in the national government now has a continuing assignment to develop and monitor an urbanization policy, although the Urban Affairs Council currently is exploring the general question. At present the many national decisions relating to Federal programs directly affecting urban growth rarely are made in a context wherein their total or long-range impact are weighed.

Reliable social and economic statistics also are vital, and developing a national policy would stimulate their assembly and analysis. Much of the needed information for a system of social accounts is now available from the Bureau of the Census, the Department of Labor, the Justice Department, the Department of Health, Education and Welfare, and other Federal agencies. Yet, there is no central responsibility for extracting the significant information, and for promoting its analysis in relation to urban problems.

Reorientation of Multi-State Economic Planning and Development Agencies. At a regional level, the Commission has recommended that the President reassess the policies and structures of multi-State economic planning and development agencies insofar as they affect the location of economic and population growth.⁷⁵ Such agencies, it was proposed, should take national policies into account when formulating regional programs and should help develop regional components of national urban growth policy and programs.

National planning for urban growth must be tailored for the differing growth patterns of the various regions of the country. The earliest efforts to handle regional growth dealt with natural resources: the Tennessee Valley Authority was the first of several river basin commissions. Under the Area Redevelopment Act of 1961 and its successor, the Economic Development Act of 1965, as well as the Appalachian Regional Development Act, economic planning has taken form in multi-State regional districts to help depressed areas with relatively high unemployment and under-employment.

⁷⁴ *Urban and Rural America* . . . , p. 131.

⁷⁵ *Urban and Rural America* . . . , p. 134.

Development and Implementation of State Urbanization Policy. Parallel to these actions, at the State level, the Commission urged the development of basic policy to guide specific State decisions which affect the patterns of urban growth.⁷⁶ Implementing legislation, it was recommended, should provide for coordination by an appropriate State agency of State, multi-county, metropolitan, and local planning, and relating such planning to regional and national considerations. Conformity of programs and projects of State agencies to the State urbanization plan should be required as well as formal review by an appropriate State agency of areawide plans and of those local comprehensive plans and implementing ordinances having an impact outside the jurisdiction's borders. The Commission also recommended that multi-county planning agencies be assigned the task of reviewing applications for Federal or State physical development project grants in nonmetropolitan as well as metropolitan areas.

If States are to play a key role in the development of urbanization policies, they must have a planning capability that will produce the components required to channel effectively their future growth. No State at the present time possesses the kind of planning process called for here—though a few approach it.

What kind of a process would be productive, politically relevant, and potent—in the urbanization as well as other policy areas? Administratively, its staff should be responsible and easily accessible to the governor. Procedurally, comprehensive planning should be linked closely to budgeting; despite the jealousies of these two staffing sectors, both are in the job of programming, priority-setting, and projecting ahead, and the skills of both must complement—not conflict with—each other. Operationally, the process should produce a hard—not a hazy—product which can be acted on by the legislature and serve as a guide to decision-making on specific urban and economic growth issues. Functionally, the planning unit should serve as the master coordinator of line agencies' programming and a similar responsibility should be assigned to it vis-a-vis planning districts at the sub-State regional level. Intergovernmentally, local or areawide plans, projects, and ordinances having a spill-over effect should also be reviewed by this unit for their impact on the State's urbanization policy. Finally, an ongoing dialogue must be established between the governor and his planning staff and the relevant standing committees of the State legislature.

Despite the controversy this last proposal generates among many planners, the Commission is convinced that

only a continuing, sometimes conflicting, but hopefully cooperative relationship between these forces will produce a State planning process that is really resourceful, relevant, and responsive to the long-term growth needs of its citizens. A suggested State act incorporating these various features has been drafted.⁷⁷ It already has stirred up considerable debate and disagreement. It is a bill that merits careful consideration.

The planning activity of the State government should go beyond a general classification of existing and future land use. State programs for highway construction, parks, air and water pollution abatement, water conservation, and health facilities should be coordinated with the State urban development policy. The establishment of a conscious policy on urbanization would also provide the background for other forms of State action (discussed below), such as land banks, urban development authorities and corporations, industrial location, public purchase of development rights, new community building programs, urban renewal, and housing.

Possible Components of Urban Growth Policies

Political reality, as well as long term considerations, dictates that the specific components of a national policy must deal with the immediate problems of central cities and rural areas, while simultaneously planning for a more balanced geographic distribution of the next urban generation and for a more innovative approach to housing these future citizens. The overall policy—or, better put, policies—must consider and deal specifically with the three most dynamic conditioners of urban growth: the economic forces, the demographic factor, and the actual pattern of physical development.

The Economic Front. Several possible specific program alternatives should be considered by policy-makers confronted with devising effective urbanization policies. At the national level, financial incentives such as tax credits, below market rate loans, or direct grants could be used to stimulate industrial and business location in rural growth centers and labor surplus neighborhoods of central cities.

The tax credit approach has several virtues when compared to alternative Federal subsidy arrangements. Tax policy changes are less likely to occur than changes in policy respecting the other forms of subsidy, depending as the latter do on the overall Federal financial condition. Tax credits would not subject business to the detailed scrutiny normally associated with Congressional appropriations or Federal lending activity. Tax credits

⁷⁶ *Urban and Rural America . . .*, p. 134.

⁷⁷ *1970 Cumulative . . .*, Code 14-41-00.

have greater appeal to business simply because they permit greater flexibility in managerial decisions. Because tax credit incentives represent a cost to all taxpayers not directly benefiting from them, they should not and need not be permanent. By incorporating a termination date in the law, review of the program after a trial period would be assured, and would forestall any continuing drawdown on Federal resources in the absence of strong indications that the arrangements contribute to desired objectives.

As an alternative, federally subsidized below-market-rate loans might be considered. The Federal government has made below-market-rate loans for business ventures to serve various objectives: to deal with disaster situations; and to aid small businesses, veterans seeking business ventures, economically-depressed areas, and rural electrification. A loan program related to urban-development objectives might be designed to fill the margin between what firms can arrange for themselves and what is needed to assist an otherwise sound venture. Such loans make available additional funds without threatening the equity or control of the entrepreneur, yet can protect the public investment.

The most straightforward Federal incentive arrangement would involve direct subsidy payments to entrepreneurs who locate in designated areas. To establish an effective direct subsidy program, a payment that would offset either higher capital outlay or operating costs could be made. A direct subsidy based on cost differentials would put areas of desired economic growth on a par with other areas as far as direct business costs are concerned.

Fiscal propriety and the basic goal of a national urbanization policy dictate that, regardless of the incentives utilized, only those firms that qualify under the specific location provisions of the overall policy should benefit. Also, whatever the subsidy route—tax, expenditure or loan—the subsidy costs should be set forth clearly each year in the President's Budget as either direct or informational items, depending on the approach used.

At the State level, assistance could be authorized to make loans more readily available to expanding firms seeking to locate in areas designated under State policy for more intensive economic development. Model bills have been drafted for implementing this and other proposals which call for a positive State role in charting the course of future urban growth.

At all levels, public procurement contracts and the construction of new public facilities can and should be geared to fostering more orderly urban growth in order to further their respective urbanization policies. Federal and State contract awards, totalling many billions of

dollars a year, significantly affect economic activity in particular areas. Federal contracts in particular have an extremely uneven geographic distribution, and it appears that both defense and research-and-development contracts are especially concentrated in the wealthier and more urbanized States. The National Government could by statute provide for (1) a credit in evaluating competitive bids for public contracts on the price offered for goods produced or services performed in certain areas, and (2) in negotiated procurement, preference to bids from such areas. States, too, could allow a credit or other preference in bids for public contracts from specified areas.⁷⁸

A major instrument at the State level for influencing industrial location is the industrial credit agency. Using appropriated and borrowed funds, such an agency could complement the Federal loan programs, and focus more directly on State urbanization policies. State industrial finance authorities are of two types. One guarantees industrial loans made by private lenders, and the other makes direct loans out of State funds.⁷⁹

Many State constitutions forbid lending public funds to private organizations, or using public credit to guarantee loans made by private organizations, no matter what the purpose of the loan or the character of the lender. In many cases these prohibitions resulted from 19th Century scandals involving the overextension of public credit for canals or private railroad building. Yet it is now possible to design safeguards into constitutions and statutes to ensure that public funds or credit made available for programs specifically designed to serve public goals would be so applied, rather than to enrich the nongovernmental participants.

The industrial or highly urbanized States should remove existing constitutional and statutory barriers to involvement of private enterprise in efforts directed toward enlarging and revitalizing the economic and fiscal

⁷⁸ A draft bill (1970 Cumulative . . . , Code 16-33-00) for State consideration which would apply this approach provides that an apparent deduction of a specified percentage shall be made from the price bid for goods or services rendered from a rural growth area or labor surplus city neighborhood, designated pursuant to the State urbanization plan. The deduction would not, of course, affect the actual price paid, but would be entered into the determination of the "lowest and best" competitive bid.

⁷⁹ A draft bill (1970 Cumulative . . . , Code 34-31-00) has been prepared, under which a State Urban Industrial Development Corporation would be authorized to do both: lend directly and guarantee up to 80 percent of a loan made by a private lending institution. It is intended to focus the efforts of State financing authorities on particular areas designated by State urbanization policies as places where urban growth should be encouraged.

base of their major cities.⁸⁰ After such action positive steps should be taken to enhance private-public cooperation in these endeavors.

Not to be ignored, however, are the many existing governmental programs that already influence industrial location decisions. These should be reviewed and, where necessary, amended to conform to such politics.

The Human Element. In developing a specific urbanization policy, attention must also be given to forces influencing migration patterns, and this means focusing on ways and means of neutralizing those factors that have produced excessive population concentration in some areas and that have contributed to stifling sparse patterns in others. The industrial location proposals would help encourage the selection of less congested locations for work and residence. At the same time, the Federal Government and States might also consider establishing a joint program of resettlement allowances for low-income persons migrating from surplus labor areas in core cities and in the countryside to specific locations designated for economic growth under their respective urban growth policies.

The National Government might well expand the Department of Labor's on-the-job training program by establishing a supplementary training assistance program for employers located in labor surplus rural counties, labor surplus city neighborhoods, and rural growth centers. Moreover, the interarea job placement, counselling, and information services of the Federal-State Employment Service could be revamped and computerized so that job seekers will be able to get full and accurate information on definite employment opportunities in other parts of the Nation.

In developing this people-related component of an urbanization policy, serious consideration should be given to national legislation that would eliminate or at least reduce the "migrational pull" of interstate variations in public assistance standards and benefits. If the basic goal of this policy is to maximize the locational alternatives available to all our citizens, then Congressional reform of the public assistance program is an indispensable and integral step in hammering out this program. As described in the preceding chapter, the Commission has urged that financial responsibility for public welfare and medicaid be assumed entirely by the Federal government. If this is done, any interstate

variations in benefit levels not justified by cost of living differentials presumably would disappear.

Birth rates also should be considered by urbanization policymakers. Despite the decline of the national rate, the high figure for families who suffer most from the consequences of heavy congestion as well as of rural sparsity dictate that, as a minimum, the existing programs of voluntary family planning for low-income persons should be funded at a much higher level than they are at present.

The Physical Pattern of Future Urban Growth. A really effective urbanization policy must come to grips with the form and quality of urban growth and not merely focus on the geographic location and distribution of future economic and population development. One hundred and fifteen million Americans will be added to our population between now and the year 2000. This means massive building and rebuilding must occur to meet future as well as existing housing needs.

The economic and resettlement provisions of an overall urbanization policy—if enacted and successfully implemented—will shift the location of much of this building to less congested areas. Yet, a basic question remains: What kind of measures are necessary to promote a more pleasing, productive, and less pressured pattern of future urban growth—a pattern whose design considers the long term national interest? This qualitative concern is not a feature of all balanced urbanization strategies. It is a basic component of the ACIR's program and it should command the attention of all who recognize that a narrow focusing on the quantitative dimensions of urban growth will not produce a genuinely balanced policy.

Innovations in the large-scale urban development field, however, will require strong and effective land use planning and regulation, and paradoxically more flexible developmental controls. States then should enact legislation to strengthen governments in this area by broadening their powers for controlling urban growth and by consolidating those jurisdictions that lack the authority and resources to deal with the dynamics of the urbanization process. States should authorize municipalities to exercise extraterritorial control of planning, zoning, and subdivision regulation in cases where counties lack these controls. States also could legislate to permit municipalities to annex adjacent or non-adjacent unincorporated territory for new community and urban development—subject to approval of a State or local boundary commission. Furthermore, if States are really serious about exercising strong leadership in the area of developmental controls, an appropriate State agency should be given regulatory authority over highway interchanges and rights-of-way, since these are major locational

⁸⁰*Fiscal Balance . . .*, vol. 2, p. 21. Wording for a constitutional amendment has been prepared that would permit the State, its political subdivisions, and any public corporation, as provided by law, where a public purpose would be served, to grant or lend funds to an individual, association, or private corporation to further economic and community development. *1970 Cumulative . . .*, Code 34-30-00.

determinants of urban development. This authority would be used only in instances where municipalities or counties do not exercise effective land use and development controls at these highway points.

More effective guidance and regulation of urban development then is a basic necessity at the State and local levels and should be a major feature of their respective growth policies. Much more controversial is the proposition that governments should go beyond this and subsidize new large-scale urban developments, specifically including new communities. But if future urban America is to enjoy the qualitative benefits of new communities, their record thus far indicates that some form of subsidy is required.

In its report on *Urban and Rural America*, the Advisory Commission urged governments—Federal, State, and local—to explore various ways of encouraging and participating directly in such large-scale developments in furtherance of their urbanization plans. The Commission also made it quite clear that subsidies should be restricted to those new developments that clearly promote broad public objectives, such as accommodating their pro-rata share of low-income housing. Bearing these reservations in mind, what can government do to foster a more innovative pattern of large-scale urban development?

Direct Federal involvement might be launched by a mixed public private corporation, a new Federal land development agency, or HUD. Such an agency could be authorized to acquire land, and sell it—improved or unimproved—to private developers, or make it available to State or local land development agencies. On a more ambitious scale, it could be empowered to undertake, on its own initiative or in partnership with State or local agencies and private developers, large-scale urban and new community projects in conformance with an overall policy.

In a like fashion, States could help shape our future urban terrain by creating their own land development agencies and empowering them to acquire land, arrange for site development and basic physical improvements, establish a “land bank” operation, dispose of land to developers or to local public agencies, and charter subregional or local land development units.⁸¹

In its holding role, the State agency, in effect, could acquire strategically-located land and retain it in a “land bank” for future public or private development in accordance with the State’s urbanization policy. In still another role, the State agency might work with existing municipalities in developing areas destined for ultimate annexation or for new-town-in-town developments with-

in the borders of municipalities. In order to avoid eroding the local property tax base during the holding period, States should provide for appropriate in-lieu payments to reimburse localities for lost revenue.

The operations of such land development agencies could be financed through direct appropriations, charges and rents, grants, sales of land, and borrowing, if authorized. Borrowing authority might be granted on a revenue basis in anticipation of land sales and rents. Revenue from land sales and rent could provide a major source of income, and a significant part of the operation could be on a revolving fund basis after an initial appropriation of working capital, supplemented only as needed by subsequent direct appropriations or borrowing.

The suggested exercise of land purchase and eminent domain powers would probably face legal barriers in some States. Yet, nearly all States have accepted the urban renewal power to acquire land and clear it of blighted development, for subsequent sale to private developers, as a public use and a permissible exercise of public authority.

Moreover, several State courts have accepted the broad view that the type of public use necessary to justify exercise of eminent domain powers extends not only to “use by the public” but also to “use for the public advantage” or “public benefit.” According to this dictum, anything that “leads to the growth of towns and the creation of new resources for the employment of capital and labor, manifestly contributes to the general welfare and prosperity of the whole community” and is encompassed by the concept of public use.⁸²

More indirect forms of Federal involvement might take the form of expanding the existing land purchase and development mortgage insurance programs to include direct low interest loans to new community developers or amending the Internal Revenue Code to allow this special breed of entrepreneur a longer loss carryover period to help wipe out the red ink of the long and lean early years against the black ink of later years. Similarly, States could provide indirect assistance by adopting legislation permitting deferred payment of local property taxes and requiring State reimbursement to the jurisdictions affected.⁸³

The prospective new community also faces special governmental problems. First, some public authority must guide its growth. Second, the new community must develop a level of public services proper to a

⁸² Philip Nichols, *Eminent Domain* (New York: Bender, Matthew & Co., 1950-53) Section 7.2, p. 63.

⁸³ See 1970 *Cumulative . . .*, Code 15-62-44.

⁸¹ See 1970 *Cumulative . . .*, Code 34-33-00.

concentrated urban community. Third, the developer's objectives and pattern for the community must not be thwarted. Finally, the residents both there and in the jurisdictions affected by it must be able to take part in some of the basic decision-making.

In practice, single-purpose special districts have sometimes been used to provide utilities. In other cases, special homeowners' or developers' organizations have provided services on a special fee or assessment basis. Sometimes, such homeowners' associations manage open space, provide recreation, and enforce certain regulations incorporated into the by-laws of the association developing the community, or into deed covenants on the property.

Although special districts can make possible a higher level of facilities and services for a new community, they also present a number of problems. They form a special level of government, in effect, and may not properly preserve the interests of the residents, or even of the developer, as the area grows.

Another approach is the creation of a county-subordinate service or taxing area. With this device, the levying of special taxes or charges in specific areas is authorized, and the area remains under the county government.

Past experience has documented the difficulties of independent incorporation without enough preparation. The problem of balancing the basic objectives of the developer's plan with the accepted powers of local government raises problems. The interests of the "early settlers" in maximizing their own investment and protecting the character of the town as they view it may not fit the objectives of the developer and of neighboring governmental jurisdictions.

One possibility might be an adaptation of the powers proposed by the Commission for "Neighborhood Sub-Units of Government" in large cities (see Chapter 4), in which a local administrative sub-unit is set up with the clear understanding that it does not have governmental autonomy and is given certain limited powers

which can be lifted at any time by a "parent" government—which in this case might be the county.

Another way to protect the original intention is to continue development under the county government which originally approved the new community project. But the county should be equipped to deal with concentrated urban growth, in order to reduce pressures for premature incorporation or annexation and the resulting fragmentation of urban areas.

Another alternative is to provide adequate powers for annexation, with appropriate safeguards—broad legislative guidelines, arrangements for citizen participation from the "new community" area, and review by boundary commissions or other appropriate agencies. An existing major municipality might handle the responsibility for sustaining a new community's development objectives, if it is large and efficient enough itself.

The variety of involvement possibilities then is vast. But Federal, State, and local policymakers should carefully weigh each of these options in developing a meaningful large-scale urban development component for their respective growth policies.

* * * * *

To conclude, the peril of pressured cities and the plight of eroding rural areas are immediate and inter-related. They must be confronted. Yet, long term solutions must focus on a grand design of encouraging an urban growth that is more balanced, more beneficent, and less bumptious than has been experienced to date.

By establishing a national urbanization policy, the three traditional levels of government—along with the private sector—can join in a bold venture of ending the stagnation of sparsity and curbing careening congestion.

Such a policy can begin to unshackle the nation and its people from conventional approaches to urban development—to free them from the near determinism that has sapped their sense of mastery over physical environment and social problems.

Chapter 4

CIVILIZING THE LOCAL GOVERNMENT JUNGLE

"The crises of the urban environment today suggest the depth and complexity of issues in the management of our society. The city is a thicket of problems, each difficult in its own right, each made more difficult by its interweaving with other nearly intractable problems. . . .

"Why have we had such enormous difficulty, steadily mounting difficulty, in getting at these problems? . . . One might blame our apathy, or our unwillingness to spend, or our fondness for outdated solutions or our resistance to change. . . . But something else is wrong, something central, something crucial. . . . I think we are driven to a significant conclusion: there are some things that are gravely wrong with our society as a problem-solving mechanism. The machinery of the society is not working in a fashion that will permit us to solve any of our problems effectively.

"That reality is supremely boring to most social critics. They are extremely reluctant to think about the complex and technical processes by which the society functions. And in the end their unwillingness to grapple with those processes defeats them. . . .

"The true task is to design a society (and institutions) capable of continuous change, continuous renewal, continuous responsiveness. We can less and less afford to limit ourselves to routine repair of breakdowns in our institutions. Unless we are willing to see a final confrontation between institutions that refuse to change and critics bent on destruction, we had better get on with the business of redesigning our society." (John W. Gardner, *The Godkin Lectures*; Harvard University; March, 1969.)

Most domestic public services are provided by and paid for through local government. Education, recreation, fire and police protection, construction and maintenance of streets and roads, protection of public health,

welfare assistance and public transportation are among the cradle-to-grave services and facilities so essential to urban life that people expect their local government institutions to provide.

In cost and scale metropolitan local government continues to mushroom. Expenditures climb at a much faster pace than population or overall economic activity. Social problems grow more complex, more pressing, more explosive. Local governmental institutions creak along from crisis to crisis constantly threatened with catastrophe or collapse.

Too often, the structure of government in the metropolis has little in common with the area's economic unity. Rather, it is a jungle of competing, overlapping, uncoordinated independent political units. If a "final confrontation between institutions that refuse to change and critics bent on destruction" is to be averted, this jungle must be civilized; local government in metropolitan America must become an effective problem-solving mechanism.

Would-be "civilizers" face three basic questions. The first is straightforward and factual: "Where are we now and how did we get here?" But that is only the prelude. They also must tackle the far more complex and controversial issue: "Where would we like to be?" And, finally, they must struggle with the practical, political realities inherent in: "How do we get from here to there?"

THE PAST IS PROLOGUE

Paradoxically, diversity is the only feature that really is common to all metropolitan areas. Few sweeping statements can be made about local government in large urban concentrations that would not be subject to important qualifications and exceptions. Partly this is because of the wide range in size and other characteristics of metropolitan areas; partly it is because of the differing historical background of governmental institutions in various parts of the country. Nonetheless, some very common—though not universal—features can be identified, and their roots traced.

Common Features. One very common feature is the existence of many different local governments in a single

Table 11 — Local Governments in Metropolitan Areas, by Population-Size of Area: 1967

SMSA size group (1960 population)	Number of SMSA's	Land area (1,000 sq. mi.)	Population, 1960	Local governments, 1967		
				Number	Per 100 sq. mi.	Per 100,000 Population (1960)
All SMSA's	228	377.8	118,181	20,745	5.5	17.6
1,000,000 or more	24	64.3	61,598	7,367	11.5	12.0
500,000 to 999,999	32	88.0	22,012	3,878	4.4	17.6
300,000 to 499,999	30	46.0	11,359	2,734	5.9	24.1
200,000 to 299,999	40	69.4	10,083	2,919	4.2	28.9
100,000 to 199,999	74	78.4	10,848	3,123	4.0	28.8
50,000 to 99,999	28	31.6	2,282	724	2.3	31.7

Source: U. S. Bureau of the Census, *Governmental Organization* (Vol. 1, 1967 Census of Governments). Includes adjustments of tabular data for a final footnoted correction of the census findings.

metropolitan area; the average is 91 governments per SMSA, and 48 governments per metropolitan county. The average for metropolitan counties is 12 school districts, 12 municipalities, 7 townships, and 16 special districts in addition to the county government itself. These averages, of course, conceal wide variations, especially in the Midwest and Far West, where numerous metropolitan counties have more than 100 local governments each. In the ten metropolitan areas with the most numerous local governments (ranging from 269 in the Denver area to 1,113 in the Chicago area) the number per county runs from 35 to 186 (Table A-7).

The fact that the overwhelming majority of these local governments are relatively small in population and geographic size is another common feature. For example, about half of the nearly 5,000 municipalities in SMSA's have less than a single square mile of land area, and only one in 5 is as large as 4 square miles. Two-thirds of them have fewer than 5,000 residents; one-third fewer than 1,000 (Table A-8).

A third common feature is multiple layering—the geographic overlapping of separate local governments. Most residents of metropolitan areas are served by a minimum of four separate units—a county, a municipality and a school district, plus one or more special districts. The average central city has more than four overlying local governments, and in parts of some metropolitan areas the number of layers is much greater. As a rule the boundaries of various local government units are not coterminous; less than one-fifth of the school districts and only one-eighth of the special districts in SMSA's coincide geographically with a municipality, township, or county.

In two parts of the country—New England especially and to a lesser degree the South—metropolitan areas have much less diffused and layered patterns than elsewhere. In New England, local government units per

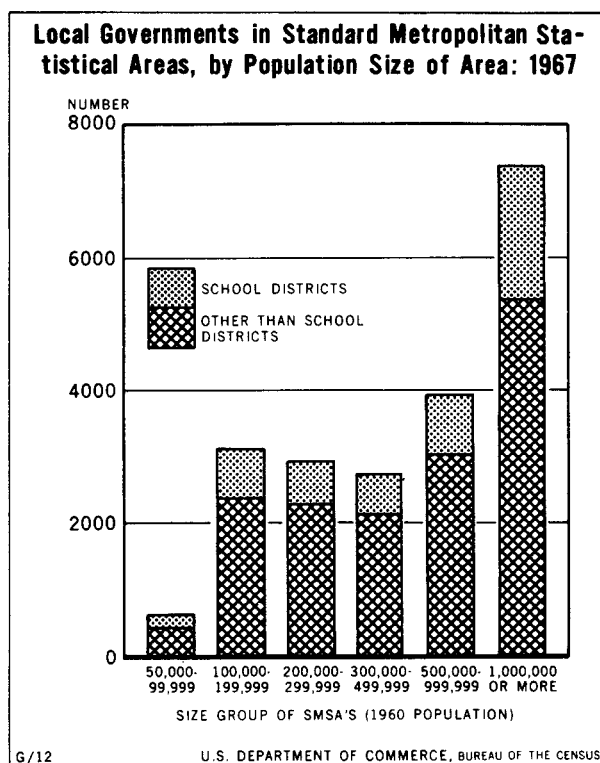
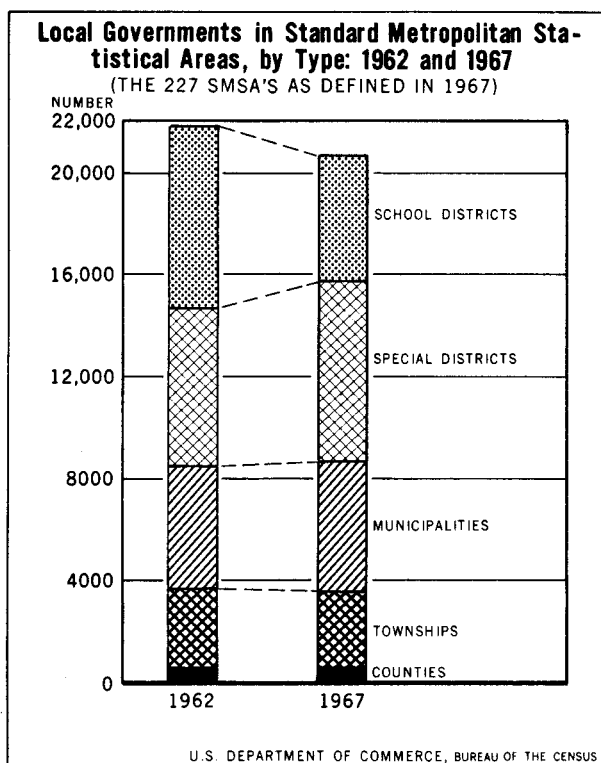
SMSA average only 29 in number, compared with the nationwide average of 91; most local government services are provided through townships and sizable municipalities. The South relies more on counties and there are no townships at all; here the number of local governments averages 40 per SMSA. Two strong trends have emerged in metropolitan governmental structure in recent years: The number of school districts has dropped sharply, and the number of special districts has skyrocketed.

Traditional Local Governments. Two major classes of local governments developed in the very earliest days of the Republic. One, typified by counties, was—and still is—statewide in coverage. With rare exceptions there are no geographic gaps between counties; every square inch of territory is in one county or another. Their boundaries are spelled out in State constitutions or statutes. Counties traditionally have been responsible for various kinds of public services that were needed everywhere throughout the State but were not readily subject to direct State handling. In some parts of the nation townships were similarly statewide in their geographic coverage; they too offered services needed throughout the State.

The second general class of local government consisted of municipalities—villages, towns and cities. These came into existence one by one, sometimes by direct State legislation but more often by local action taken in accordance with an authorizing general law. Set up in closely-settled areas that needed urban-type services not available from the counties (or townships), they were authorized by the State to provide added services and facilities and to finance them through taxes, user charges, and bond issues.

In the 19th century the development of public education led, in most parts of the country, to another distinct type of local government—school districts. Like

Figure 12



the counties or townships these were geographically comprehensive—that is, taken together they covered the entire area of a State. But, unlike the counties, townships, and municipalities, they were responsible for only one function. School districts in the early days were typically far smaller and more numerous than counties. Most of them at first were no larger than about four square miles each, so that rural children could walk to school. Within the recent past, most of the very small school districts have been merged into much larger units.

For a long time then, most of the nation has had two or three layers of local government in rural areas (county and school district, sometimes plus township); and three or four layers in incorporated urban areas (county, municipality, and school district, sometimes plus township).

With their overlapping boundaries and growing needs for property tax revenue and borrowing capacity, the questions that arose were how to safeguard each type of unit from the competing demands of the others, and how to exercise some control over their total combined demands upon taxpayers. In much of the country the reaction of the States was to impose specific ceilings on property tax rates and to place limits on the debt incurring powers of these several types of local governments. (New England, with a far less layered

pattern, has made relatively little use of such limitations.) The tax rate ceilings often were detailed, spelling out limits for particular funds or activities—roads, libraries, fire protection and the like.

By constitutional edict of statutory enactment the States typically have specified also various details of the internal structure of these traditional classes of local government—including, in particular, the size of their governing bodies and the nature of various additional offices to be filled by popular election.

Special Districts. A development of more recent vintage has been the proliferation of special districts, a group of local governments now more numerous in SMSA's than any other type. As the term implies most of these units are like school districts in that they are concerned with only a single function, such as fire protection, water supply, or public housing. On the other hand, they are geographically like municipalities in that they do not blanket the entire State. And they have come into existence one by one, for particular local areas and in most cases by local action under a general State law.

Unlike the more traditional types of local governments, not all special districts can levy taxes. In fact, about half of them—including some of the largest, such as the Port of New York Authority—are limited in their

own revenue-raising power to the imposition of service charges or benefit assessments. Nearly all of them, however, can incur debt and receive grants from other governments.

There is no territorial overlap among counties, among municipalities, or among townships. But, with their single-function nature, special districts can and very often do overlie one another in bewildering variety. They account for much of the complex layering of local governments found in many metropolitan areas—sometimes adding as many as another half dozen tiers to the usual four layers of more traditional kinds of governments.

In 1967, special districts in SMSA's numbered 7,049—15 percent more than in 1962—and constituted over one-third of all local governments in metropolitan areas. While the Nation's metropolitan areas have less than one-fourth of all the school districts and multipurpose governments (counties, municipalities, and townships), they have one-third of all the special districts.

Nationwide, the number of special districts has nearly doubled in the past 15 years, with much of the change taking place in SMSA's. A small portion of the proliferation can be traced to the need-arising from the sprawling nature of the large modern metropolis—for public agencies equipped to handle specific public services for areas larger than a single county. Of the 7,049 special districts in SMSA's, 527 are multi-county districts that deal with "large-area" functions such as air pollution, airports, and mass transportation.

Yet, there are far more compelling reasons for the alarming proliferation of special districts. One of these, very clearly, is the refusal of many States to relax or remove their restrictive tax and debt limits on traditional types of local governments. The creation of special districts has been one way—sometimes the only politi-

cally feasible way—for local areas to get around such limits. Significantly, the number of special districts is greatest in the States that have tight tax and debt limits.

A further strong reason for the mushrooming of special districts is the limited role county governments are permitted to play in providing urban services. In most parts of the Nation, counties traditionally have been viewed as agents of the State for the performance of services needed everywhere, and with most of their support drawn from uniform countywide taxes. Consequently, most counties lack the authority and the capacity to supply the additional services demanded by residents of the urbanizing parts of their territory. Thus when service needs expand beyond municipal boundaries, and given the rigid annexation laws in many States, the special district often is the only legal—perhaps the only constitutional—way of providing the needed service.

Still another reason is the common practice of States to specify in detail the organizational structure and the elective offices of traditional types of local governments. For counties in particular, this typically results in a highly diffused internal pattern. In 1967 the average county government in a metropolitan area had 31 elective officials, including 9 members of the governing board and 22 additional officials. (Table 12). This diffusion of policy making responsibility, along with other factors has lessened the potential feasibility of using the county—rather than special districts—to meet the developing public service needs of metropolitan suburbia.

An alternative to special districts, obviously, would be geographic enlargement of existing municipalities through annexation of newly urbanized fringe territory. Once this was the traditional way for local government to adapt to urban growth; it still is an important tool in

Table 12 — Local Governments and Local Elective Officials in Metropolitan Areas, by Type of Government

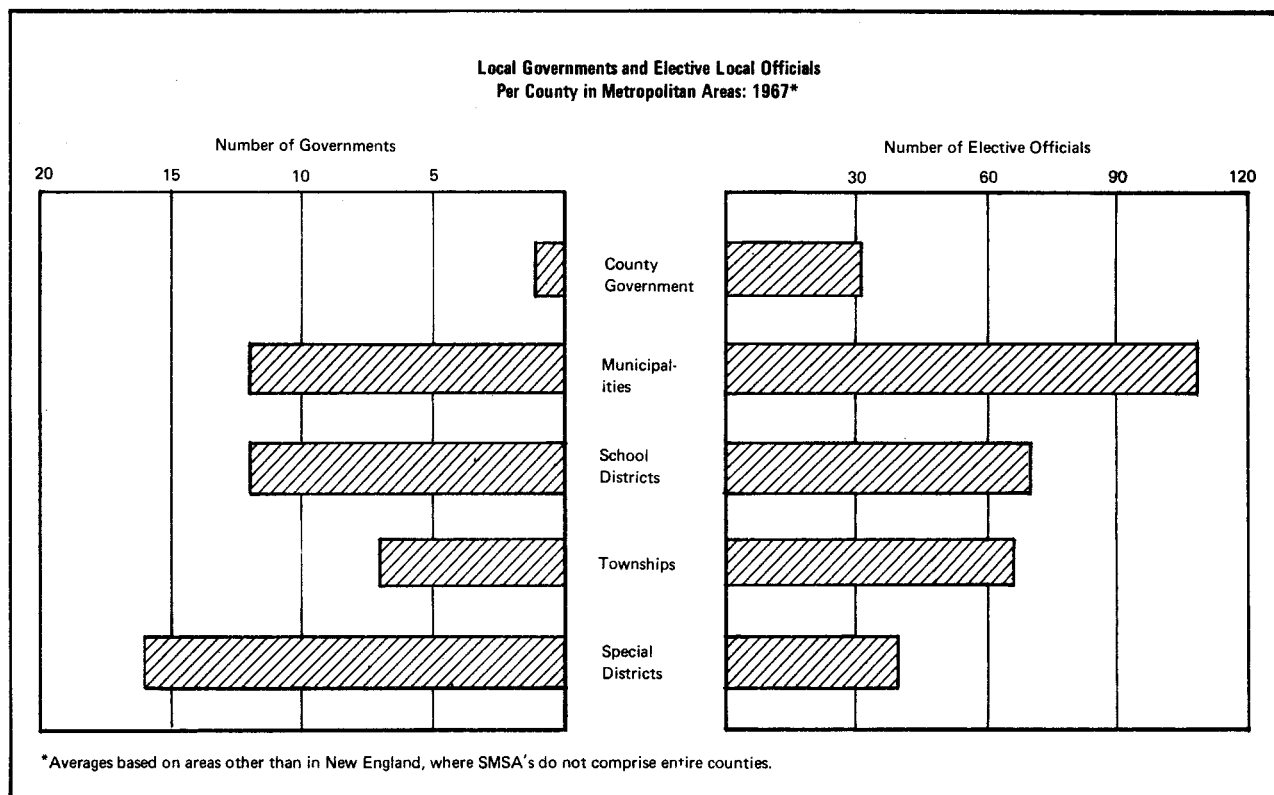
Type of government	Local governments				Elective local officials		
	Number		Increase or decrease (-), 1962 to 1967		Total		Governing bodies only
	1967	Percent	Number	Percent	Number	Per gov't	
All types	20,745	100.0	-1,113	- 5.1	134,012	6.5	87,062
School districts	5,033	24.3	-2,057	-29.0	29,090	5.8	28,882
Other than school districts	15,712	75.7	944	6.4	94,922 ¹	6.0	58,180 ¹
Counties	405	2.0	- 3	- 0.7	12,498	30.9	3,753
Municipalities	4,990	24.1	75	1.5	45,222	9.1	29,603
Townships	3,255	15.7	- 27	- 0.8	30,480	9.4	8,002
Special districts	7,062	34.0	899	14.6	17,683	2.5	16,822

Source: U. S. Bureau of the Census, *Popularly Elected Officials of State and Local Governments* (Vol. 6, 1967 *Census of Governments*).

Includes adjustments of tabular data for a final footnoted correction of the census findings.

¹ Net of duplication between governments having certain elective offices jointly.

Figure-13



some parts of the country. However, the laws of many States sharply limit the feasibility of annexation. The 1950-60 record is revealing. In 1960, there were 130 cities (located in 38 States) with a population of 100,000 or more. Of these, 44 annexed no territory at all in the 1950-60 decade, and another 36 added less than 10 square miles apiece. The 22 cities that annexed 30 square miles or more each during that decade were located in only a dozen States. And in all but a few instances, the territory thus annexed was only a small fraction of the cities' entire outlying urban fringe.

The recent nature of urban fringe settlement—often involving shoestring or leapfrog patterns of development—frequently does not lend itself to annexation. Much nearby territory is so thinly developed at the outset that it clearly is not fully urban but truly suburban, with emphasis on “sub.” The metropolitan fringe needs more varied and intensive public services than the sparsely settled rural areas, but less than the range and level normally provided by a municipal government.

Yet annexation tends to be a matter of all or nothing. The annexed area receives all the city's services but it also must bear a full share of the cost of running the city. To many suburbanites the price is too high,

especially since they may still benefit from many of the city's services—such as police and fire protection, traffic regulation, and street maintenance and lighting, as well as municipal parks, beaches, and museums—when they go to the city to work, shop, or visit. The trade-off is even less attractive if the county provides some of these services, at a lower level, perhaps, but also at a lower cost. Moreover, if the city, as is usually the case, has a higher proportion of relatively poor “high cost” residents than the outlying territory with the resulting extra drain on the tax base, the trade-off will have almost no appeal. These are among the strong forces impelling newly urbanized areas to choose the piecemeal special district approach rather than annexation to the metropolitan area's central city.

The resulting complex layered pattern of suburban government is rarely stable. As thinly settled parts of the metropolitan fringe become more fully developed, their early minimum needs for urban-type services, perhaps involving only fire protection, expand to include also water supply, sewerage, and often other additional services. The upshot is a crazy quilt pattern of small, disjointed, uncoordinated, and unresponsive, special purpose local governments.

PATTERNS FOR TOMORROW

It is not hard to identify some important characteristics of a "good" pattern of local government for the modern metropolis. Insofar as possible, local governments should be so structured that they are able to:

- Provide a high degree of political unity to match the area's economic unity;
- Supply efficiently a wide range of public services and a variety of community facilities;
- Provide on an equitable basis (through taxation, charges, and borrowing) for at least a large part of their financial requirements without predominant reliance upon State or Federal assistance;
- Be clearly accountable to the people they serve, tax, and regulate;
- Establish reasonable priorities among the competing needs of various public programs, and promote consistency in the planning and conduct of interrelated government activities;
- Adapt basic public policies to the diverse conditions of various parts of the metropolis, and reconcile conflicts between areawide and localized needs;
- Anticipate emerging problems, and modify governmental programs accordingly;
- Stimulate enlightened civic interest and participation in public affairs; and
- Serve as a socially cohesive force, helping to promote harmony and reconciliation rather than conflict among various elements of the population.

But it is far easier to list desirable characteristics than to build them into specific local governmental structural arrangements. For one thing, opinions may—and do—differ as to how well a particular governmental form will serve one or another of the objectives. A more basic difficulty is that the objectives compete with one another. The choice of structural patterns must depend on the relative importance given each of the several desirable characteristics. Thus the introductory phrase "insofar as possible" is of key importance; even a theoretically ideal structure of "metropolitan government"—a scare word to many—really requires compromises among the competing needs for efficiency, financial capability, equity, civic participation, social reconciliation, and the rest.

The "Cafeteria" Approach. One line of logic about metropolitan governmental structure, starting with major concern for the operating efficiency and localized adaptation of particular services, might run as follows. The metropolis has to have a great variety of public services, and these differ widely in the minimum scale

required for efficient handling. Some, such as public schools or fire protection, can be carried out for rather small areas; others, such as air pollution and public transportation, clearly demand large-area handling; still others fall between these extremes. This suggests that there should be a variety of specialized governmental units, each tailored in size to the nature of its function (Figure 14, Type A).

On the surface this "cafeteria" approach to governmental structure for the metropolis appears to have a certain logic. But it obviously would lack other desirable characteristics. Even if public education can be provided efficiently for rather small areas, there still is likely to be a wide range among such areas in the relation of school needs to tax base; the quality of schooling will suffer in the poorer districts and this will have a strong impact on neighboring areas. Thus, considerations of adequate and equitable financing to support a desirable level of educational quality throughout the metropolitan area clearly calls for considerably larger school unit than would be dictated solely on grounds of minimum size for feasible operation. The same is true for other public services.

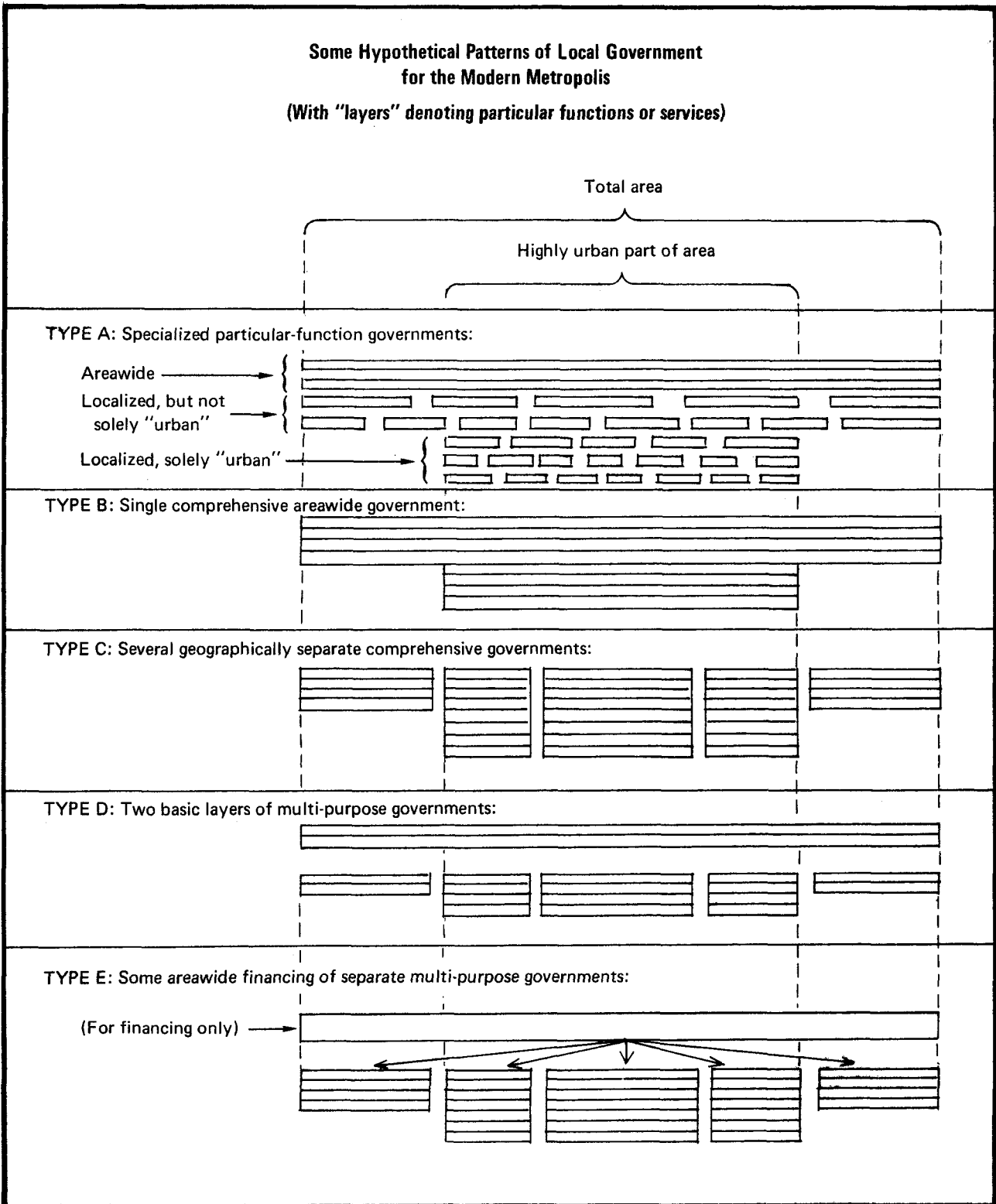
The "cafeteria" approach has other serious deficiencies. The specialized units presumably would rely mainly for their financing upon taxation within their respective boundaries. The result would be a multiple layering of separate tax levies. In the absence of some overall control mechanism there would be no orderly way to limit the total tax burden for any particular area or to determine the reasonable share to be supplied for each public purpose. The voters would be hampered seriously in applying fiscal brakes to their tax base as a whole because of the wide variety of bodies confronting them. This structural pattern also offers little promise that public functions which are closely interrelated but under independent auspices will be planned and carried out in a mutually-reinforcing way. Furthermore, the resultant layering of units requires the voting citizen to select numerous officials to represent him on the many governing boards. In the resulting complex, political accountability and responsiveness are dangerously weakened. Finally, such a geographic decentralization of government tends to separate rather than to unify the people of the metropolis, emphasizing their differences rather than their common interests.

The "cafeteria" approach takes far too little account of the need for equitable financing, functional coordination, political accountability, promotion of areawide interests and matching areawide economic unity with a large measure of political unity.

The "Package" Approach. At the other end of the spectrum is a metropolitan government in which all local

Figure-14

**Some Hypothetical Patterns of Local Government
for the Modern Metropolis**
(With "layers" denoting particular functions or services)



public services for the metropolis are "jointly packaged," under a single jurisdiction. (Figure 14, Type B.) Such an approach, by making urban government more highly visible, should increase its public accountability. Furthermore, the problem of diversity in efficient operating scale for particular functions could be handled by providing for decentralized operation of certain services—through police precincts, fire station districts, schools and the like.

But this seemingly simple alternative also has serious drawbacks. In the first place, today's metropolis is not a clearly defined and stable area, but one with rather indefinite, irregular and changing "boundaries." Secondly, the metropolis typically includes great variations in population density and resulting needs for certain public services; at the very least, this casts doubt on the equity of a completely uniform level of taxation throughout such a diverse jurisdiction. Also, some present-day metropolitan areas are already so big (and more will be in the future) that comprehensive governments for them would have to be very large and bureaucratically layered. Such governments likely would have high overhead costs and would encounter difficulty in achieving effective functional coordination "down-the-line," even though various departments were tied together at the top by a single chief executive and a single governing body. Finally, and perhaps most difficult, is the question whether—and how—such a large and multi-faceted government can be responsive enough to the divergent needs, conditions, and expectations of all elements of the large modern metropolis; present big city governments often seem remote and alien to many of their citizens.

Intermediate Approaches. Between the two extremes is a multitude of organizational patterns. Some emphasize certain desirable characteristics; some emphasize others. One possible compromise would be to break the metropolitan area into several geographic parts, each with its own comprehensive all-function government ("Type C" in Figure 14). Another possibility would provide two separate layers of local government—one areawide to deal with functions and activities that require such handling, and another involving a set of smaller-area units to deal with localized governments within the metropolis ("Type E" in Figure 14).

These oversimplified alternatives are subject to further variations, including some that might deal with special problems or limiting factors. For example, the two-level arrangement (Figure 14, Type C) might be "federated" by providing formal ties between the areawide and localized units, in order to promote coordination of interrelated functions and to focus stronger attention on areawide factors than might

otherwise be the case. Or a combination of "Type C" and "Type E" might apply, with the areawide government aiding localized units as well as carrying out certain functions directly.

OBSTACLES TO CHANGE

The would-be "civilizer" of the local government jungle cannot draw organizational charts to suit his personal tastes and order his preferences into effect by waving a wand. To find out "How do we get from where we are to where we would like to be?" he must identify and cope effectively with forces in the real world that strongly resist change.

Tax Level Differences. Among those likely to oppose change are the people who now benefit from the differences in tax levels that characterize almost all metropolitan areas. The disparities can be seen readily by comparing taxes within a central city with taxes in its surrounding suburban area. In most instances, the central city is more heavily burdened than suburbia whether the comparison is in terms of total local taxes per capita or as a percentage of personal income, or in terms of effective property tax rates. Even more diversity can be found among particular minor parts of the metropolis. A recent study of 70 large metropolitan counties showed a within-county range in property tax rates of at least 2-to-1 in one-third of the counties and a range of at least 1.5-to-1 in three-fourths of them. To eliminate or narrow such tax differences by governmental restructuring would, of course, benefit some metropolitan residents; but, it would increase the taxes of others—and the latter group is likely to include influential members of the area's power structure.

Social Disparities. Poor and disadvantaged people, including a considerable proportion of Negroes and other ethnic minorities, tend to be concentrated in "poverty areas." The central cities typically have far larger proportions of such "high-cost citizens" than does suburbia as a whole, though sizable poverty areas also are found in outlying parts of many SMSA's. Efforts at restructuring that would enlarge local jurisdictions are likely to face resistance from the better-off communities within the metropolis, that now can avoid concerning themselves with the problems of disadvantaged people. Moreover, in a growing number of metropolitan areas Negroes have managed, or expect soon, to attain a significant measure of political power in a central city or a satellite community. These groups may well fear that governmental restructuring—whatever its possible advantages in other ways—will considerably reduce their political muscle.

THRUST OF ADVISORY COMMISSION PROPOSALS

The Advisory Commission on Intergovernmental Relations ever since its establishment a decade ago has given priority attention to the critical problem of fragmented governmental structure in metropolitan areas. In seven policy reports released over a six-year period the Commission underlined again and again the crucial role the States must play in civilizing the local government jungle. It emphasized over and over the critical need for State government to take vigorous, decisive action to tidy up the local government landscape.² It pinpointed ways for the National Government to prod laggards into action. And it stressed the need for organized civic groups to arousing citizen concern at the local level.

The Commission's proposals target in on both short-term and long-range goals. They call for strong, positive action by State government:

- to provide machinery at the State level to help local governments help themselves by (a) creating State urban affairs agencies, (b) removing constitutional barriers to State legislative action, and (c) developing improved data on governmental performance and social conditions;
- to discourage the helter-skelter proliferation of small, nonviable multipurpose local governments by (a) limiting new incorporations, (b) empowering State or regional boundary commissions to consolidate or dissolve nonviable units, and (c) withholding State aid from nonviable jurisdictions;

² *Governmental Structure, Organization, and Planning in Metropolitan Areas* (A-5; July 1961)

State Constitutional and Statutory Restrictions on Local Government Debt (A-10; September 1961)

Alternative Approaches to Governmental Reorganization in Metropolitan Areas (A-11; June 1962)

State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government (A-12; October 1962)

Impact of Federal Urban Development Programs on Local Government Organization and Planning (A-20; January 1964)

Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs (A-25; January 1965)

Fiscal Balance in the American Federal System (A-31; October 1967)

Three information reports, issued during the same period, provided further background information:

Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas (M-15; May 1962; out of print, but summary available)

Performance of Urban Functions: Local and Areawide (M-21; September 1963)

A Handbook for Interlocal Agreements and Contracts (M-29; March 1967)

Metropolitan Councils of Governments (M-32; August 1966)

Established Interests. As with any set of social institutions, ongoing governmental arrangements accumulate a host of persons who rely heavily on the continuation of the status quo: officials, employees, contractors doing business with present governments, businesses subject to governmental regulation, and the like. For these people the prospect of major structural change at best involves uncertainty, and at worst the possible loss of familiar advantages of status or economic benefit. Furthermore such "directly-affected" elements of the community are likely to be a sizable and influential part of the population. Local government employees average about 1 in 12 of all gainfully employed people in metropolitan areas. Elective local officials in these areas number 134,000 nationwide, or nearly 600 per SMSA. Suburbia probably averages at least one elective local official per 100 families, and the proportion is much higher than this in many suburban sections.

Public Uncertainty. Unlike the limited but important groups just mentioned, most metropolitan residents lack close acquaintance with the local governments that serve and tax them. Even if they feel a strong concern about social problems and public service needs, their concern is not likely to promote structural change unless they can be convinced that:

- existing organizational arrangements contribute seriously to the problems involved;
- other kinds of action—such as more grants from the State or Federal governments—would be inadequate; and
- the proposed structural change offers promise of major improvement and is clearly better than any available alternative.

These are high hurdles for a would-be "civilizer" to surmount, especially in view of the complexity of inherited patterns and the difficulty of predicting future conditions and foretelling the probable effect of proposed changes. Popular concern for "crime in the streets," to cite one example, is far more likely to trigger expansion of all the many separate police forces found in the typical metropolitan area than it is to stimulate efforts to combine them into a more effective unified instrument for public protection. And some who oppose change are likely to circulate unprovable or exaggerated predictions of the dire effects of reorganization—seeking to exploit the common human tendency to "rather bear those ills we have than fly to others that we know not of."¹

¹ Advisory Commission on Intergovernmental Relations, *Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas*, (M-15; May 1962), p. 23.

- to limit the alarming growth of single-purpose special districts by (a) controlling the formation and facilitating the merger and dissolution of special districts, and (b) assuring greater visibility and compelling coordination of special districts with multipurpose governments;
- to remove the shackles that cripple local efforts to meet local needs by (a) clarifying local government powers, (b) permitting local determination of organizational structure, (c) removing unrealistic tax and debt limits, (d) freeing up municipal annexation procedures, and (e) encouraging the formation of metropolitan area study commissions;
- to arm local governments with an arsenal of weapons to meet the challenges of urban growth by (a) strengthening urban counties, (b) authorizing subordinate service areas and neighborhood "subunits," (c) permitting interlevel transfer of functions and interlocal joint service agreements, and (d) providing for metropolitan functional authorities; and
- to foster metropolitan area-wide cooperation and coordination by (a) authorizing regional councils of local officials, and (b) empowering the governor to resolve interlocal disputes.

To Provide State-Level Machinery . . .

To strengthen the State's capacity to help local governments to cope more effectively with the trauma of urban growth the Advisory Commission has proposed that the States: (1) establish State-level urban affairs agencies; (2) remove constitutional barriers to State legislative action on urban problems; and (3) encourage the compilation of comprehensive data for the evaluation of social conditions and governmental performance.

Create State Urban Affairs Agencies. In most States, a major and growing proportion of the population resides within metropolitan areas where both money problems and social problems are especially pressing and complex. Traditionally, States have followed functional lines in dealing with local government—demonstrating concern for public schools, roads, health, and welfare, for example. Largely ignored by the States, however, were the interrelationships among these activities at the local level, and the related problems of the structure and functioning of local government. To fill this void the Commission has urged that the States:

. . . enact legislation establishing "an agency of the State government for continuing attention, review, and assistance with respect to the metropolitan areas of the State and associated

problems of local government planning, structure, organization and finance."³

Wherever feasible, the Commission said, the State urban affairs agency should not be limited solely to dealing with metropolitan areas; rather it should be concerned with local government problems throughout the State. In the 20 States that now have urban affairs departments this broader approach has been adopted.⁴

In a closely related recommendation, the Commission also has urged the States to provide: "financial and technical assistance to metropolitan areas in such fields as urban planning, urban renewal building code modernization, and local government organization and finance."⁵

State urban affairs agencies not only offer a central clearing house and a point of contact for local governments and their officials, they also provide research, coordination, and technical assistance. A few of these agencies have important planning responsibilities and administer urban renewal, redevelopment, housing, or urban poverty programs. In addition, they may influence local government structure through their research and advice on annexation, charters, and fiscal arrangements, although as yet few of them have played a really significant role in stimulating basic restructuring. In the long run, however, through their broad knowledge of existing conditions and problems, their familiarity with applicable State laws, and their contacts with officialdom at both local and State levels, they may serve as catalysts for basic structural change.

Remove Constitutional Barriers to Legislative Action. The Advisory Commission believes that the traditional concept of "home rule" should be modified to take account of its limited relevance to conditions within the modern metropolis. "Functions which in the 19th and early 20th centuries could be dealt with separately by local areas may now be matters of concern to a large metropolitan community or the State as a whole." Constitutional provisions that confer absolute home rule on local governments have the effect of handcuffing the State government; they frustrate efforts by the legislature and the governor to help meet functional problems that have grown too big for local government to handle unaided.

Accordingly, the Commission has recommended that States "considering either general constitutional

³ Advisory Commission on Intergovernmental Relations, *Governmental Structure, Organization and Planning in Metropolitan Areas*, (A-5, July 1961), p. 35.

⁴ See Appendix C.

⁵ *Governmental Structure . . .*, p. 37; Secretary Ribicoff abstained.

revision or undertaking constitutional changes with regard to local home rule, reserve sufficient authority in the legislature to enable legislative action where necessary to modify responsibilities of and relationships among local units of government located within metropolitan areas in the best interests of the people of the area as a whole.”⁶

Improve Data on Governmental Performance and Social Conditions. A major barrier to intelligent appraisal—much less restructuring—of local government in metropolitan areas is the difficulty of measuring current conditions. The complex overlapping of governmental jurisdictions makes it hard to compare even the relative costs and tax burdens of various parts of the metropolis. Still greater obstacles must be surmounted to compare the “output” of local government units in various parts of the metropolis, or from one metropolitan area to another. Yet the quality of urban life rises and falls with the quality of public services and facilities.

“If the Nation is concerned about what is happening to the ‘quality of urban life,’” the Commission has observed, “then the Nation needs to be equally concerned with the inability to measure this ‘quality’ and to draw meaningful intercommunity comparisons with any reasonable degree of objectivity . . . We have not progressed far in measuring the ‘social health,’ or even the ‘economic health’ of our local governments.”

Underscoring the many billions of tax and investment dollars going into metropolitan areas, the Commission points out that “private investor, governmental legislator and executive alike need to be able to find out how one unit of government compares with another in the adequacy and cost of services being provided.”

In effect what is needed is a “Dun and Bradstreet” for local government “functional health” as there has been one for fiscal health for a long time. Accordingly, the Commission has recommended that “Federal, State and local officials work toward the establishment of data facilities for measuring for major urban functions the comparative performance levels of individual local units of government.” To achieve greater objectivity the Commission has suggested that this effort should be undertaken by a “nongovernmental organization and should look toward the establishment of optional standards, the collection and analysis of data, and periodic publication of comparative figures.”⁷

A related proposal emphasizes the need for better measures of social conditions—population characteris-

⁶(Governmental Structure), p. 20; Secretary Ribicoff abstained.

⁷Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System* (A-31; October 1967), vol. 2, p. 25.

tics, employment, poverty and unemployment, housing, health, education, crime, and the like. Observing that although “we have made great strides in the measurement and analysis of our Nation’s economic well-being we have only begun to scratch the surface in our efforts to gauge our Nation’s social well being.” The Commission recommended: “a national system for the collection, analysis and dissemination of social statistics . . . with special emphasis upon the development of such data for sub-State geographic areas.”⁸

The Commission also recommended that the “Internal Revenue Service expand its reporting of income statistics for Standard Metropolitan Statistical Areas to provide data [separately] for the units of general local government within such areas.”⁹

Progress along these lines would, of course, improve the basis for public policy and program decisions at every level of government, as well as for private decisions affecting urban life. It would also supply some of the information so urgently needed for the intelligent appraisal and overdue restructuring of government arrangements in metropolitan America.

To Discourage Non-Viable Local Governments . . .

To discourage the helter-skelter proliferation of small, non-viable units of local government the Advisory Commission has proposed: (1) the establishment of vigorous standards for new incorporations within metropolitan areas; (2) the creation of local government boundary commissions; and (3) the withholding of State aid from non-viable units of local government.

Limit New Incorporations. More than one-fourth of all the municipalities in the United States are in metropolitan areas—an average of 21 per SMSA, and 12 per metropolitan county. The number is far greater in many instances, of course. Cook County, Illinois heads the list with 119 and seven other metropolitan counties have more than 50 each. Most of these “metropolitan” municipalities, moreover, are very small: one-half of them include less than a square mile of land area; two-thirds have a population of less than 5,000 and one-third have fewer than 1,000 residents each.

This feature of the metropolitan scene is a carryover from the past. Many statutory provisions for municipal incorporation date from the time when, for the most part, settled communities were widely separated; it was not unreasonable then to allow the formation of a separate village or town for only a few people. But the

⁸Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System* (A-31; October, 1967), vol. 2, p. 23.

⁹*Ibid.*, vol. 2, pp. 22-23.

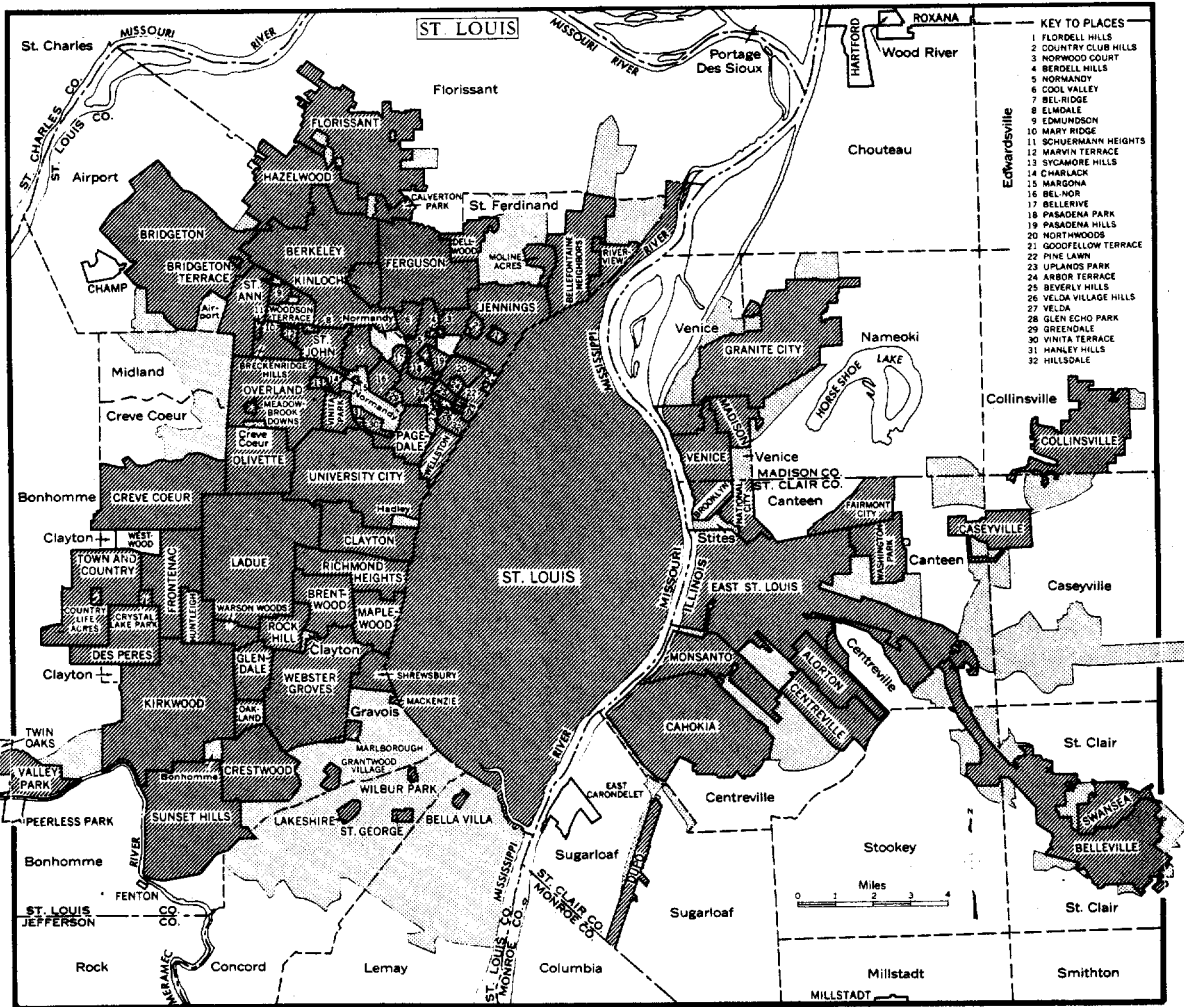
Figure 15

The St. Louis Urbanized Area (as of 1960)
One Example of the "Governmentally-Crowded" Modern Metropolis

An urbanized area with more than 100 municipalities (dark-shaped part), plus adjoining unincorporated territory (lighter-shaded) with at least 1,000 persons per square mile.

The heart of a 7-county standard metropolitan statistical area (as defined in 1967), served by 474 local governments - 232 in Missouri and 242 in Illinois.

	Land area	1960 population
St. Louis City	61	750,026
Urbanized area	323	1,667,693
SMSA	4,119	2,104,669

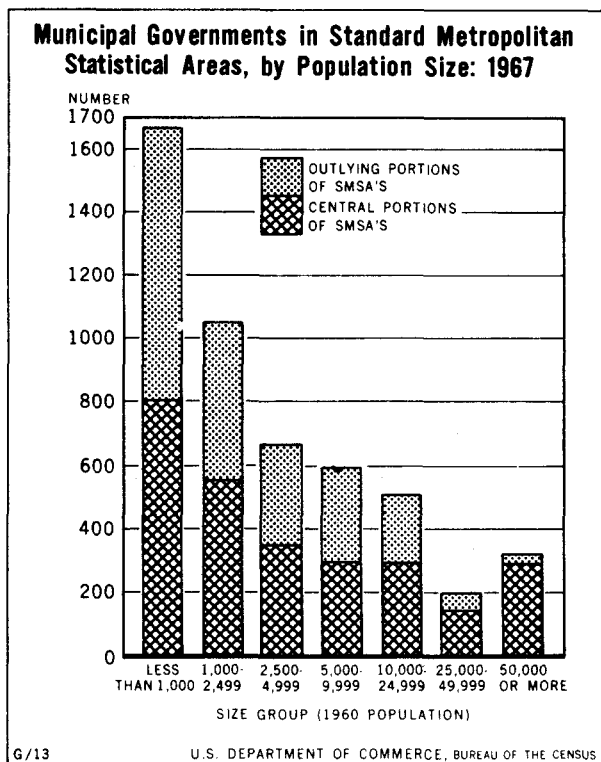


lack of a reasonable size standard for new municipalities can be extremely damaging in today's growing metropolitan areas. It permits the creation of preferential "tax havens" or of units that are too small to operate effectively. These small islands accentuate fiscal dispari-

ties and stand in the way of orderly and equitable adaptation of local government to expanding urbanization.

States have the power—and the responsibility—to halt the chaotic spread of small municipalities within

Figure 16



metropolitan areas. The Advisory Commission has strongly urged that States review and update their standards and criteria for new incorporations, specifying appropriate minimums of population and population density, and providing tighter standards for territory within a designated distance of large cities.

Focusing on the urgent need for such action with regard to metropolitan areas, the Commission recommended that States enact legislation "providing rigorous statutory standards for the establishment of new municipal corporations within the geographic boundaries of metropolitan areas and providing further for the administrative review and approval of such proposed new incorporations by [an appropriate State agency]."¹⁰

States that recently have moved toward the establishment of more stringent standards for new municipal incorporations include California, Colorado, Georgia, Kansas, Nevada, New Mexico, Ohio, Oregon, Tennessee, Virginia, and Washington.

¹⁰ *Governmental Structure . . .*, p. 39; Secretary Ribicoff abstained. A suggested bill to implement this proposal provides in part for a state board to set criteria for, and to review and pass judgment on requests for new municipal incorporations. See *1970 Cumulative ACIR State Legislative Program* (M-48, August 1969), Code 31-91-60.

Create Boundary Commissions. The Commission also has outlined another means for halting the proliferation of non-viable local governments and encouraging much needed boundary adjustments. States should empower a State agency or a local agency formation commission, the Commission has advised, to "order the dissolution or consolidation of local units of government within metropolitan areas . . . pursuant to specific statutory standards, with adequate public notice and hearings, and subject to judicial review."¹¹

As a minimum, boundary commissions would assure that proposals for new municipalities and special districts or for municipal annexations are scrutinized intensively from the standpoint of their long-range and intergovernmental effects. Had there been effective review of this kind in the past, many of the crazy quilt governmental arrangements that clutter the metropolitan scene today could have been avoided. But such agencies also should be able—guided by statutory standards and criteria—to proceed toward the harder tasks of cleaning up some of the patchwork that already exists.

"The State or local regulatory agency," the Commission observed, "should examine closely those units of local government that appear to be least viable under the terms of the statute [and] . . . be empowered to mandate the dissolution or otherwise. This procedure would expose the more obvious enclaves and tax havens to public scrutiny and provide a basis for meaningful action."¹²

Use Grants-in-Aid as a Weapon. School district consolidation has been achieved in many States by fashioning school aid formulas that reward the districts that reorganize, and penalize small inefficient ones that

¹¹ *Fiscal Balance . . .*, vol. 2, p. 14; Governor Rhodes and Governor Rockefeller dissented. Suggested State legislation to implement this proposal (*1970 Cumulative . . .*, Code 31-91-60) would vest authority in a State board to propose and review petitions for all types of municipal and special district boundary adjustments. Boundary adjustment proceedings could be originated by affected municipalities, by areawide planning bodies, through local initiative action, or, under specific circumstances involving metropolitan areas, by the board itself. Hearings and action in any particular case would be taken by a committee including local representatives as well as members of the board, but with the latter having a majority of the total committee vote. The draft bill includes standards and criteria to be applied in boundary adjustment proceedings. It also suggests alternative provisions if local boundary commissions are to be authorized, rather than a State boundary commission. The draft legislation draws upon experience with boundary commissions in Minnesota (at the State level) and in California (operating locally). It adapts methods that have been used in some States to accomplish extensive reorganization of local school districts. Legislation along these lines has been enacted in Alaska, Michigan, and Washington.

¹² *Fiscal Balance . . .*, vol. 2, p. 15.

do not. But State aid programs for other types of local governments rarely include financial incentives toward desirable structure. As noted in chapter 2 distribution formulas in some instances actually operate in the opposite direction; they shore up governments that otherwise might dissolve or merge and even promote the further multiplication of small "tax haven" units in and around metropolitan areas.

In light of these considerations, the Commission, in a 1965 report, recommended that each State "examine its present system of grants, shared taxes, and authorization for local nonproperty taxes, and remove all features that aggravate differences in local fiscal capacity to deal with service requirements in metropolitan areas and that encourage or support the proliferation of local governments within such areas."¹³ More recently, in its study of State aid completed in 1969 (described more fully in Chapter 2) the Commission expressed the view that State aid formulas should provide positive disincentives to the creation or continuation of small units of local government in metropolitan areas. Specifically, the Commission urged "amendment of formulas providing State aid to local governments so as to eliminate or reduce aid allotments to small units of local government not meeting statutory standards of economic, geographic, and political viability."¹⁴

To Limit Special Districts . . .

Special districts account for much of the growing complexity and layering of local government in metropolitan areas; their number mushroomed from less than 9,000 in 1942 to more than 21,000 in 1967. In metropolitan areas alone, special districts increased from 6,153 in 1962 to 7,049 in 1967—an average of one new district every other day.

Special districts are not all bad. Sometimes they offer the only convenient way to meet important public service needs, particularly where traditional multipurpose local governments—counties, municipalities, and townships—are unresponsive or lack the legal elbow room needed to adapt to changing circumstances. Various other Advisory Commission recommendations, reviewed in this chapter, aim at the removal of State imposed shackles on multipurpose local governments. However, action along those lines takes time, and in any event there will continue to be circumstances where the

¹³ ACIR report A-25, (*Metropolitan Social and Economic Disparities: Implication for Intergovernmental Relations in Central Cities and Suburbs*, January 1965), p. 123.

¹⁴ *Fiscal Balance*, vol. 2, p. 14; Governor Rhodes and Governor Rockefeller dissented.

**Table 13 — Special District Governments
in Metropolitan Areas, by Functional Class: 1967**

Functional Class	Number	Percent	Percent of U.S. totals
All types	7,049	100.0	33.1
Single-function districts:			
Fire protection	1,383	19.6	37.7
Natural resources ¹	1,275	18.1	19.5
Water supply	964	13.7	37.7
Sewerage	778	11.0	63.1
School-building	588	8.3	61.5
Housing and urban renewal	522	7.4	33.4
Parks and recreation	305	4.3	49.8
Other single-function districts ²	953	13.5	23.3
Multi-function districts:			
Sewerage-water supply	192	2.7	64.4
Other multi-function districts	89	1.3	57.4

Source: U. S. Bureau of the Census, *Governmental Organization* (Vol. 1, 1967 Census of Governments).

¹ Including drainage, flood control, irrigation, water conservation, soil conservation and miscellaneous natural resources.

² Including districts for cemeteries, highways, health, hospitals, libraries, electric power, gas supply, transit, and "other" purposes.

special district device can properly be used. With this in mind, the Advisory Commission has urged State action (1) to limit the creation of new special districts to appropriate circumstances and provide means for the elimination or consolidation of those districts which have outlived their usefulness, and (2) to increase the "visibility" and public accountability of special districts and promote coordination of their operations with those of counties and municipalities. The Commission also has recommended Federal action (3) to modify existing Federal categorical aid programs that promote and favor special districts rather than general purpose local governments.

These recommendations reflect the Commission's view that in the absence of compelling conditions that make it impractical, local public services should be provided through multipurpose units of general government. Assignment of responsibility for some services to independent specialized units tends to reduce the public's effective control over local government, to interfere with an orderly evaluation and reconciliation of competing demands for the local revenue dollar, and to hamper coordination of interrelated services. In addition, use of special districts often tends to increase local government costs—they are likely to involve at least some duplication of administrative overhead and to promote excessive use of revenue bond financing, with higher interest costs than otherwise might be incurred.

Control Formation; Encourage Merger and Dissolution. To help insure that new special districts are

established only where no better alternative action is available the Commission has recommended that States "enact legislation to provide that no special district be created prior to review and approval of the proposed district by a designated agency consisting of representatives of the county or counties and city or cities within which the proposed district will operate."¹⁵

The Commission has advised further that consent to the creation of a new district be given only where the local approval agency, after careful investigation, determines that "no unit of general local government or existing special district, acting singly or jointly, is willing and able to provide the service and the approval agency finds a need for the proposed service [which the district is to provide.]"¹⁶

If the proposed district is to perform functions affecting State programs (such as natural resource development or pollution control), the Commission feels that the proposal also should be subject to advance review by the appropriate functional agency of the State. Decisions resulting from these reviews should be subject to court review upon appeal.

Observing the special districts often continue to exist after an appropriate unit of general local government, or a single district rather than several, could very well assume their responsibilities the Commission also has recommended that States "enact legislation: (1) providing a simple procedure for consolidation of special districts performing the same or similar functions; [and] (2) permitting an appropriate unit of general government to assume responsibility for the function of the special district."¹⁷

Increase Visibility and Compel Intergovernmental Coordination. Other Commission recommendations concerning special districts take account of their usual remoteness from public view and the need to relate their programs and operations to those of general-purpose governments.

The need for "visibility" arises from various factors. Most States even lack an overall inventory of their local special districts. Special districts are legally authorized by a vast and complex array of State authorizing statutes. A Commission study based on Census Bureau data for 1962 counted more than 1,100 such enact-

ments, an average of 22 per State. Only half of the special districts have governing bodies that are popularly elected; the rest are run by appointed boards. Even if the district officials are subject to election, the vote typically is very light, suggesting lack of popular knowledge or interest.

The potential impact of special district operations upon other local governments is far greater than might appear. This is particularly true for units that provide such urban-type facilities and services as water supply, sewerage, fire protection (making up about half of all the special districts in metropolitan suburbia). Not only do these units represent a response to the outward thrust of urbanization, they also strongly influence the location and nature of new development, with all that implies for the central city and satellite municipalities of the modern metropolis. Short-sighted, ill-conceived, or uncoordinated action by special districts is likely to create difficult problems for other governments—such as school districts which must provide educational facilities, and county and municipal governments that are expected to furnish roads and streets, handle traffic, regulate land use, and provide other essential services.

To fill these gaps the Advisory Commission has recommended that the States require that a designated State agency—and the appropriate county governing body—be informed of the creation of all special districts, and that budgets and accounts of special districts be formulated and maintained according to uniform procedures determined by an appropriate State agency which would arrange audits of district accounts at regular intervals.

The Commission also suggested that the units of general government must approve any acquisition of land within their boundaries by a special district, and that any proposal for special district capital improvements be submitted for comment to the units of general government where the proposed improvements would occur.

The Commission also advised counties and municipalities to include in each individual property owner's tax bill an itemization of special district property taxes and special assessments and to include pertinent information on the activities of all special districts in the county or municipal annual reports.

Further, the Commission urged that service charges levied by special districts be reviewed and approved by the governing body of a unit of general local government or by an appropriate State agency.

And, finally, the Commission recommended that each State undertake a comprehensive study of all

¹⁵ Advisory Commission on Intergovernmental Relations, *The Problem of Special Districts in American Government* (A-22, May 1964), p. 75.

¹⁶ *Ibid.*, p. 77.

¹⁷ Advisory Commission on Intergovernmental Relations, *The Problem of Special Districts in American Government* (A-22, May 1964), p. 80. For implementing legislation see 1970 *Cumulative . . .*, Code 31-91-69.

special districts to ascertain their number, type, function, and financing.¹⁸

Recast Federal Aid Programs. The multiplication of special districts has been encouraged by some Federal aid programs, especially those concerned with public housing, urban renewal, soil conservation, reclamation and irrigation. When these programs were first offered, they often encountered legal incapacity or indifference by established multipurpose governments such as counties, municipalities, and towns. The most expeditious way to stimulate local action, it seemed then, was through newly created special district units. This development helps to account for the fact that metropolitan areas now include some 1,300 special districts concerned with natural resources, and more than 500 involved in public housing or urban renewal.

Some of the legal barriers to the conduct of these Federally aided activities through multipurpose governments now have been eliminated; and others will be as efforts to civilize the local government jungle go forward. These changes means that Federal agencies administering particular grant and loan programs can and should work increasingly with and through multipurpose governments, rather than through special districts. This policy has clear advantages from the standpoint of governmental simplicity, visibility, and functional coordination at the local level. The Commission in 1964 recommended¹⁹ that Congress and the executive agencies "remove from Federal aid programs for urban development all organizational limitations which require or promote special-purpose units of local government to the disadvantage of general-purpose units . . . Other factors being equal, general purpose units of government should be favored as Federal aid recipients. Special-purpose recipients should be required to coordinate their aided activities with general-purpose governments.

In response to this proposal, Congress enacted the Intergovernmental Cooperation Act of 1968 which, among other things, directs Federal agencies administering grant or loan programs open to both types of units to accord preference to local general-purpose government "in the absence of substantial reasons to the contrary."

To Unshackle Local Government . . .

As we saw earlier, the would-be "civilizer" of the local government jungle is confronted with formidable

¹⁸ *The Problem of Special Districts . . .*, p. 84. For implementing legislation see *1970 Cumulative . . .*, Code 31-69-00.

¹⁹ Advisory Commission on Intergovernmental Relations, *Impact of Federal Urban Development Programs on Local Government Organization and Planning*, (A-20; May 1964), p. 23.

obstacles: the opposition of those who feel they benefit from existing geographic differentials in tax levels and from existing social disparities; the resistance of those who consider themselves "in" with the status quo governments; and the basic reluctance of people generally to exchange something mediocre but familiar for something better but unknown. These barriers to successful reorganization efforts tax the political ingenuity, dedication, and energy of the "civilizers" even within metropolitan areas that are favored by liberal State constitutional and statutory authority to refashion local governments according to the will of the local electorate. Where the framework of State laws and constitutional provisions is restrictive the task of effective reorganization is all the more formidable.

In most States such restrictions do exist, forming legal barriers to the adaptation of multipurpose governments—counties, municipalities, and New England-type townships—to meet growing and changing needs. Recommendations of the Advisory Commission in this area zero in on unshackling local government by relaxing or eliminating State-imposed restrictions and encouraging basic restructuring of local government in metropolitan areas. These proposals call for statutory or constitutional action to:

- Clarify the legal powers of general-purpose local governments;
- Authorize cities and counties to determine their own internal structure, subject only to basic guidelines;
- Eliminate State provisions that mandate popular election for various types of county and municipal administrative officials;
- Lift legal barriers to adequate local taxation;
- Modernize State controls over local government borrowing and indebtedness;
- Liberalize provisions for municipal annexation of unincorporated territory; and
- Authorize official metropolitan study commissions to plan restructuring of local government.

Clarify Local Government Powers. It is a familiar rule of law that local governmental units may exercise only those powers affirmatively granted them by State constitutional and statutory provisions. In actual application, however, this rule has been diversely interpreted, and several kinds of problems have appeared. Some narrow judicial rulings have so limited the power of existing multipurpose governments that separate special district units have been necessary to handle demands for new or added services. At the other extreme, broad constitutional grants of "home rule" authority in some States have severely limited the legislature's power to

deal with the closely interrelated problems in various parts of a metropolitan area.

To counter these difficulties and to encourage multipurpose governments to adapt to meet changing conditions the Commission supports the "residual powers" approach. The Commission has recommended:

"... that the States in their constitutions grant to selected units of local government all functional powers not expressly reserved, preempted, or restricted by the legislature."²⁰

In addition, the Commission has urged:²¹

"State legislatures, as a general policy, [to] use broad language in amending and enacting new legislation affecting the powers of local government relating to ... all modern service functions such as sanitation, public works, planning, recreation, etc."

Powers delegated to local units, the Commission cautioned, should be lodged in general governing bodies, rather than in functional officers or agencies. And, it warned, that the delegation of "residual powers" should be accompanied by a thorough review of existing conditions, a careful determination of the particular types of multipurpose local units best suited to exercise the powers delegated, and the enactment of a comprehensive code that spells out the necessary limitations on the powers granted localities and reserves other powers for the State. In other words, the intent of these recommendations is not to give to local governments a blank check, but, rather, to achieve a considered and orderly clarification of legal authority to replace the antiquated and often ambiguous provisions found in many States.

Florida, Iowa, Massachusetts, and Pennsylvania recently have made constitutional changes along these lines.

Permit Local Choice of Internal Structure. Most States prescribe in minute detail the organization and internal structure of their county and municipal governments spelling out the exact size and composition of the governing bodies, how the members are to be elected, how many other local officials of various kinds are to be elected and their powers and duties. Many of these provisions are stultifying. They fragment policy-making and management responsibilities, mix legislative and executive functions, and hamper the development of effective local political leadership.

The Commission believes that, subject only to appropriate general guidelines, there should be broad local discretion to determine the appropriate internal form of county and municipal governments, and that legal barriers to local adaptation and change should be held to a minimum.

The Commission has recommended that as a minimum, States provide: "for adoption by municipalities, by ordinance, or pursuant to simple petition or referendum procedures, of optional forms of municipal government, including among others the 'strong mayor' form and the 'council-manager' form. Such grants of powers should (a) be applicable to all classes of municipalities, (b) permit discretion at the local level in determining whether to elect the legislative body at large or by districts, or both; and (c) authorize assistance by the State government, available upon request, to municipalities in the development of new ordinances and procedures involved in converting to a new form of government." [States also should provide] ... "for the adoption by counties, pursuant to simple petition or referendum procedures, of optional forms of county government."²²

The Commission does not recommend unlimited home rule. Home rule municipalities in metropolitan areas can and sometimes do stymie efforts to achieve areawide planning and coordination. As noted earlier, the Commission has urged that sufficient authority be reserved to the legislature to allow legislative action, where necessary, to modify local government responsibilities and relationships within metropolitan areas, in the best interests of the people of the area as a whole.

The recent U.S. Supreme Court decision (*Avery vs. Midland County*) which extends to local governing bodies the "one man-one vote" principle previously mandated for legislative districts, will likely stimulate widespread changes in State laws relating to local governing bodies and thus provide an opportunity for action to broaden local authority to determine internal structure.

Recent enactments in Hawaii, Idaho, Massachusetts, Missouri, New Hampshire, New York, Vermont and Washington provide for more local option as to the internal structure of municipalities or other types of local governments.

²⁰ Advisory Commission on Intergovernmental Relations, *State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government* (A-12, October 1962), p.72; Mayor Hummel dissented.

²¹ *Ibid.*, p. 74.

²² *Ibid.*, p. 69-71. Two draft bills (1970 Cumulative ... Codes 31-59-00 and 31-42-00) are offered to implement these recommendations: The one pertaining to municipalities is based on New Jersey's Optional Municipal Charter Law of 1950. The one pertaining to counties is patterned after a North Carolina enactment.

Nation-wide, the number of popularly elected county officials—in addition to the members of their governing bodies—averages 19. In metropolitan areas the average number is a surprising 22. For municipalities, the corresponding average number is only 3, and for townships 6, although there are many places where these types of governments also have large numbers of elective officials.

Excessive diffusion of responsibility clearly limits the policy-making role of local governing boards and hampers executive leadership and coordination.

Some county officials (particularly judges and other court officials, sheriffs, and recorders) serve primarily on behalf of the State, even though they are locally elected. Recognizing that traditional methods of selecting officials “are deeply ingrained in our mores, and generally resistant to change,” the Commission does not propose changes in provisions that relate to them in their exercise of State-established law enforcement functions. However, the Commission believes that local governing bodies should have substantial control over all other local officials—those engaged in administering the broad range of service activities and “sustaining” functions such as tax administration.

Consequently, the Commission has recommended that the States enact general legislation to lodge responsibilities for appointment, tenure, and salary determinations of welfare and sustaining function officials in the general governing bodies of the appropriate units of local government. Similarly, the Commission has recommended that States empower all classes of municipalities to appoint all city officers other than the mayor and council members.²³

Free Up Local Taxing Authority.²⁴ Property taxes are the primary source of local government financing. State imposed restrictions on the property-taxing powers of counties and municipalities limit the ability of these units to meet emerging public needs. This in turn stimulates the creation of special districts often for the primary purpose of circumventing the tax ceilings and gaining additional local taxing authority. Tax restrictions often have other bad effects, too. Sometimes they promote short-term financing to cover operating deficits, or long-term borrowing in lieu of pay-as-you-go financing. They may stimulate voluminous special legislation in some States, cripple the effectiveness of local budgeting, and interfere with sound assessment practices by shifting to assessors effective control over budgetary and

taxing decisions that should instead be made by local governing bodies.

It is clearly unrealistic to assume that uniform restrictions can deal equitably on a State wide basis with existing variations in local needs and locally available tax resources. The inherited jungle of legal limitations has not prevented a very strong rise in local property tax revenue—it has doubled in the past decade, and multiplied fivefold since World War II. In many States the prescribed limits do not directly constrain the majority of taxing jurisdictions. Furthermore, the most common form of limitation is a maximum rate against assessed valuation; any resulting constraint can be circumvented by boosting the assessment level which is usually only a minor fraction of the market value of taxable property. This widely used device reveals the crudity of the usual type of property tax limitation. And its use gives the assessor a policy-determining role with respect to local budgeting and taxation that should be reserved for the governing body.

State-imposed limitations upon local property tax rates are generally inimical to local self-government. At best they represent an undesirable substitute for effective budgeting and policy determination by popularly accountable governing bodies. Accordingly, the Commission has recommended “the lifting of constitutional and statutory limitations on local powers to raise property tax revenues.”²⁵

Yet the proposed removal of long-established State restrictions, the Commission recognizes, is not likely to occur promptly in all States. As a basis for interim action, therefore, it has offered these guidelines for liberalizing inherited legal limitations upon local property taxing powers:²⁶

- (1) Statutory limitations are preferable to constitutional limitations.
- (2) Tax rate limitations, if imposed, should be in terms of the value of taxable property equalized to full market value rather than fractional assessed value.
- (3) Broad limitations in terms of all local functions of government are likely to be less damaging than those that apply to individual specific functions.
- (4) Limitations on taxing powers, if imposed, should be restricted to the financing of operation and maintenance costs and should exclude requirements for servicing capital improvement debt and for pay-as-you-go capital outlays.

²³ *State Constitutional Restrictions*, p. 75-6.

²⁴ See Chapter 2 for a detailed discussion of Commission recommendations in the area of taxation and finance including the property tax.

²⁵ Advisory Commission on Intergovernmental Relations, *State Constitutional and Statutory Restrictions on Local Taxing Powers*, (A-14; October 1962), p. 6.

²⁶ *Ibid.*, pp. 6-9.

- (5) If limitations are imposed, provision should be made for relief (a) administratively by a State agency and (b) by reference to the electorate.
- (6) The electorate should always have the authority to initiate by petition a vote on proposals to exceed prescribed tax limitations.
- (7) If property tax limitations are imposed and if governing bodies and citizens have the latitude to adjust them in compelling circumstances as recommended (Nos. 5 and 6 above), then tax limits should embrace all overlapping local taxing jurisdictions.
- (8) Home rule charters should be exempted from the application of property tax limitations imposed by general law.

Draft measures to implement these ACIR proposals include a brief constitutional provision authorizing legislation to regulate local taxation and borrowing; suggested legislation to authorize local imposition of property tax review; and a bill to provide relief from statutory limits through home rule or State administrative action.²⁷

Relax Limitations on Local Debt. Authority to incur debt is a key element in local government financing. Nearly one-fifth of all local public expenditure is for construction and other capital outlays; the bulk of it initially financed from borrowing. Local issuance of bonds issues total about \$8 billion a year, and interest on the \$82 billion of outstanding local government debt amounts to about \$2.6 billion a year.

States have a legitimate and strong concern with the debt status of their local governments. Imprudent borrowing generates future trouble for the unit involved, and the State may be forced to come to its rescue, as occurred during the Great Depression of the 1930s. More immediately, unsound debt conditions may not only damage the credit position of the local government directly involved but also that of neighboring local governments or even the State government itself. There is a compelling reason, then, for State regulation of local borrowing and indebtedness.

As in the case of legal limitations upon local taxing powers, however, most State restrictions on local borrowing date from a bygone era when conditions were very different from those which exist today. In many instances, these restrictions are onerous in effect, unduly complex, and poorly conceived. They impede sound local government, stimulate the proliferation of special districts, and promote undesirable borrowing practices that result in excessive debt service costs.

The most common form of legal limitation pegs a ceiling on total debt of a particular local government as a percentage of its assessed valuations, or—even more rigidly—sets separate ceilings on its debt for various detailed kinds of purposes or facilities. If applied uniformly “across the board,” these limits obviously cannot deal fairly with the great variations in local conditions and needs found within any State. On the other hand, if efforts are made to deal with the variations by statute, the result is at best a complex maze of provisions, cluttering up State laws with reams of detail in need of constant adjustment. Furthermore, like tax limits tied to assessed valuations, such provisions push assessors into an improper policy-making role with regard to local government financing.

Another common type of State-imposed restraint mandates that bond issues be approved by referendum, with approval sometimes requiring more than a simple majority of the votes cast. This requirement, obviously, limits the power of local governing bodies which ordinarily can act on other matters without specific popular authorization.

Two main ways have widely been used to get around these restrictions: (1) the creation of additional specialized types of local governments, having their own separate borrowing limits or, in some instances, less demanding referendum requirements than those of traditional multipurpose governments; and (2) the issuance of “nonguaranteed” bonds, payable from earmarked sources other than local property tax revenue—a type of debt which the courts have generally held to fall outside traditional types of legal restraints. Such State constitutional and statutory restrictions on local government debt have contributed substantially to the near-doubling in numbers of special districts during the past 15 years, and to the greatly increased proportion of “non-debt” debt (now more than one-third of all local bonds outstanding, as compared with one-sixth in 1952).

The Advisory Commission believes that the present maze of constitutional and statutory restrictions on local government borrowing seriously impedes effective self-government. These restrictions “handicap self-reliance of local communities and governments, and impel them toward increased financial dependence on State or Federal Government resources.” Moreover, the State imposed limitations have “contributed” in many areas to complexity and deviousness in local debt operations.

Accordingly, the Commission has recommended:²⁸
 “that State provisions with respect to local

²⁸ Advisory Commission on Intergovernmental Relations, *State Constitutional and Statutory Restrictions on Local Government Debt*, (A-10; September 1961), pp. 4-5.

²⁷ 1970 Cumulative . . . , Code 33-21-00.

government indebtedness take cognizance of all forms of local borrowing and debt . . . The intended application of such State provisions should be made explicit . . . [and] any conditions that attach legally to the borrowing power of an individual local government [should] apply uniformly—or subject only to specifically defined exceptions—to any type of long-term debt it can incur.

“that authority to issue bonds should be legally vested in the governing bodies of local governments, subject to a permissive referendum only, on petition, and with participation in any such referendum available to all eligible local voters and the results determined—except under unusual circumstances—by a simple majority vote on the question.

“the repeal of constitutional and statutory provisions limiting local government debt or debt service by reference to the local base for property taxation.”²⁹

“that the States study and consider measures to regulate long-term borrowing of local governments by reference to the net interest cost of prospective bond issues in relation to the currently prevailing interest rate on high quality municipal securities.”³⁰

“that States make available technical and advisory assistance to local governments with regard to the issuance of long-term debt . . .”³¹

Illinois, Michigan, and Pennsylvania recently have eased their earlier restrictions on local borrowing powers, and Alaska and Kentucky have set up new arrangements for State technical assistance on local governments debt issuance.

Liberalize Municipal Annexation Procedures. Prior to 1900, the Nation’s large cities expanded in size largely through annexation of adjacent unincorporated territory. Over time this process became more difficult. Suburbs began to develop and State legal provisions were adjusted to require that annexation could occur only with specific approval by residents of the territory involved—sometimes even only at their initiative. Restrictive provisions such as these “loaded the dice” against municipal annexation as one of the possible ways of adapting local government structure to the outward thrust of urbanization. These restrictions, along with other factors, contributed to the establishment of separate suburban municipalities—often very small—and

²⁹Mr. Burton and County Executive Michaelian dissented.

³⁰Mr. Burton, State Senator Cutler, and Mayor Clinton dissented; Secretary Dillon expressed a reservation.

to the multiplication of special districts to provide urban-type services in the metropolitan fringe.

The process has gone so far in some metropolitan areas that their central cities are encircled by a noose of separately incorporated suburbs. More liberal annexation provisions alone would be of little help to these central cities. But even here the enlargement of satellite municipalities may be far preferable to the creation of still more separate local governments. Obviously, the many metropolitan central cities which are not already completely hemmed in by suburban nooses should be empowered to accommodate fringe growth in an orderly and equitable way by extending their boundaries.

Accordingly the Commission has recommended that the States “examine critically their present . . . provisions governing annexation of territory to municipalities, and that they . . . eliminate or amend . . . at least with regard to metropolitan areas—provisions that now hamper the orderly and equitable extension of municipal boundaries As a minimum, authority to initiate annexation proceedings should not rest solely with the area or residents desiring annexation but should also be available to city governing bodies Inhabitants of minor outlying unincorporated territory should not possess an absolute power to veto a proposed annexation which meets appropriate standards of equity.”³²

Encourage Metropolitan Area Study Commissions.

In its reports on urban problems the Advisory Commission has emphasized that “there is no best single approach to governmental organization, applicable to all conditions and times.” In the future, as in the past,

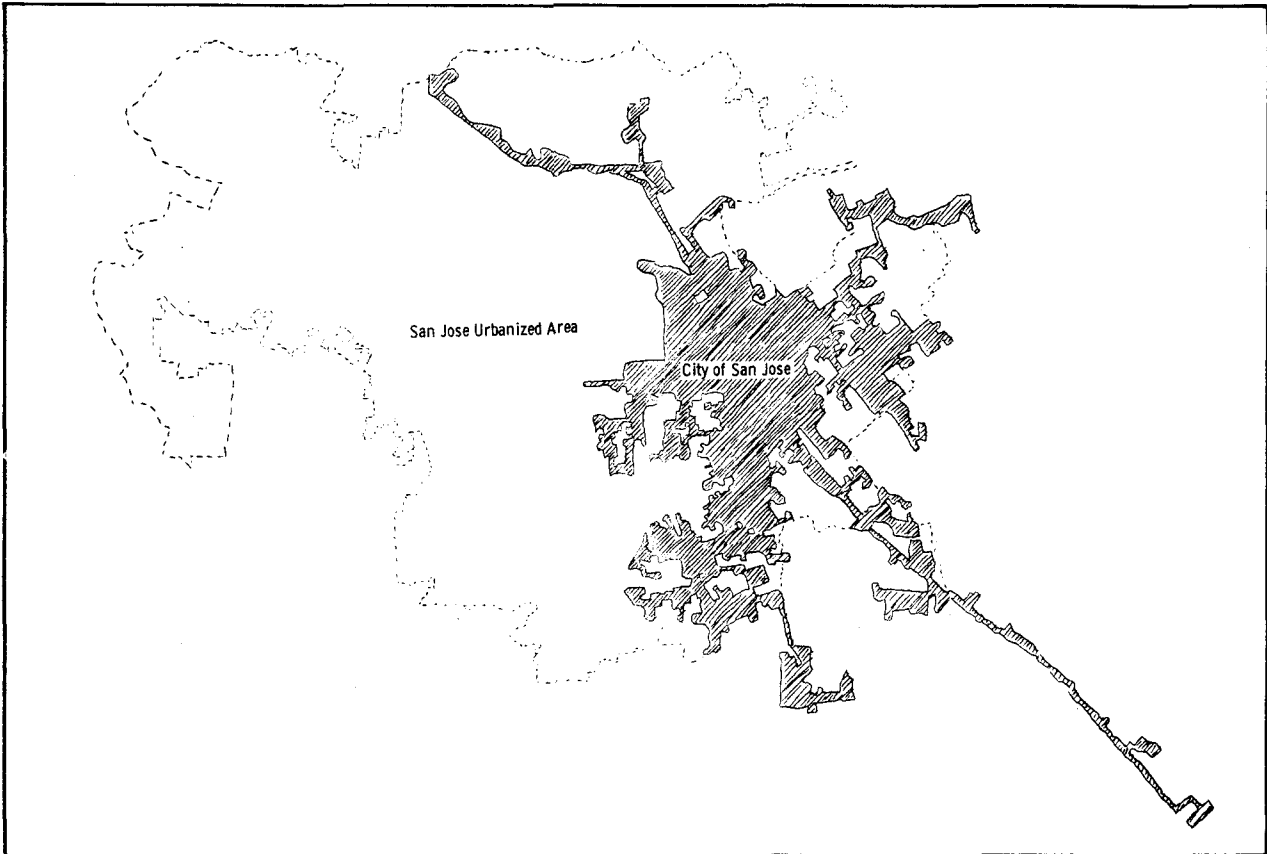
³¹Draft measures to implement these proposals include: a brief constitutional provision to authorize statutory regulation of local borrowing powers, and a bill based on Tennessee law outlining local debt issuance procedures; and a bill to provide for State technical assistance with regard to local borrowing which includes provision for the type of debt limit suggested above—i.e., prohibiting new debt issues that would have an excessive net interest cost relative to the current yield rate for high grade local bonds. See *1970 Cumulative . . .*, Codes 33-21-00 and 33-48-00.

³²Advisory Commission on Intergovernmental Relations, *Governmental Structure, Organization and Planning in Metropolitan Areas*, (A-5; June 1961). A draft bill measure to implement this recommendation is based upon a North Carolina statute (*1970 Cumulative . . .*, Code 31-53-00). The measure would authorize the city council of a municipality of more than a specified population to annex adjoining unincorporated territory which meets stated standards of urbanization and development. The bill specified procedures to be followed, includes requirements concerning the extension of municipal services to the annexed area, and makes provision for judicial review upon appeal. Another possible statutory approach is illustrated by the Commission’s draft legislation for State boundary commissions, previously mentioned. Numerous States including Alabama, Arizona, California, Georgia, Kansas, Oregon, Missouri, Nebraska, Nevada, New Mexico, West Virginia, and Wyoming recently have amended their laws concerning municipal annexations, in the direction suggested by this Commission proposal.

Figure 17
What is "The Urban Community"?

Many factors, including legal barriers to municipal annexation or consolidation, have pushed numerous cities into strange shapes, which often have little relationship to patterns of travel and human activity in the modern metropolis.

San Jose, California, is only one example of such conditions. Mapped here as of 1960, the San Jose *urbanized area* included 15 municipalities. The San Jose *metropolitan area* (all of Santa Clara County) had 74 distinct local governments in 1967.



changes in local government structure are likely to be evolutionary rather than revolutionary. Proposals for State legislation to implement Commission recommendations are designed to facilitate desirable adaptations.

On the other hand, the Commission is convinced that in many places structural problems are too serious and too complex to be met solely through piecemeal adjustments. If major changes are necessary, they should follow a searching examination of existing conditions conducted in an orderly manner by a properly constituted body. For this reason the Commission urged the States to enact legislation "authorizing the establishment of metropolitan area commissions on local government structure and services, for the purpose of developing

proposals for revising and improving local government structure and services in metropolitan areas."³³

³³ *Governmental Structure . . .*, p. 32, County Executive Michaelian and Mr. Burton dissented; Secretary Ribicoff abstained. Suggested legislation (*1970 Cumulative . . .*, Code 31-51-00) to implement this proposal provides that the study commission would be brought into existence by a majority vote within the area concerned; that study commission members be appointed by governing bodies of the cities and counties involved; that study commission recommendations be developed within a limited time and be subject to public hearings; that any recommendation for abolition, consolidation, or territorial change of existing governments require referendum approval within the affected units; and that creation of a new unit require favorable action by voters in the area concerned.

This procedure resembles that used successfully in many States to achieve a less ambitious objective—the consolidation of school districts. However, the few notable efforts that have been made in recent years to accomplish the more comprehensive—and more difficult—adjustment of local government structure in metropolitan areas have operated not under a general authorizing law, but, rather, under special statutes that focuses on particular areas. Since “local legislation” is unconstitutional in many States general enabling acts of the kind recommended by the Commission are urgently needed. In 1963 Oregon became the first State to authorize, by general law, the establishment of study commissions to appraise local government structure in the States metropolitan areas along the lines of the Commission’s proposal.

To Provide an Arsenal of Weapons . . .

So varied are the needs, so intricate the structural machinery, so complex the problems that no single pattern of functional authority will be equal to all the tasks facing local government in metropolitan America today. Rather, in the judgment of the Advisory Commission, local government must be armed with an arsenal of weapons that may be employed singly or in combination.

To this end the Advisory Commission proposes State action to:

- Strengthen urban counties and facilitate county consolidation;
- Permit counties to set up subordinate service areas;
- Authorize major cities and urban counties to create neighborhood “subunits” of government;
- Allow voluntary transfer of functions between cities and counties and joint-service arrangements; and
- Empower metropolitan functional authorities to provide services that require areawide handling.

Strengthen Urban Counties. In a 1962 study of alternative approaches to restructuring of local government in metropolitan areas, the Commission noted the potential role of the “urban county” as a unit which might well be vested with a considerably increased range of responsibilities.

The study revealed that many county governments have fuzzy patterns of internal structure, with inadequate central direction and coordination. In some States county governing bodies have been unrepresentative—typically favoring rural or suburban areas over major cities. Where these shortcomings can be overcome, the county holds real promise as an instrument for providing

“large-area” type public services in today’s metropolis. This approach can iron out the effect of fiscal disparities within the county and foster economies of scale.³⁴

On the other hand, development of the “urban county” as a significant metropolitan government faces geographic limitations. It is of limited value in multi-county SMSA’s. Even in SMSA’s that consist of only a single county—about one-half of the total number—the inflexibility of county boundaries may hamper later adjustments needed to deal with further urban sprawl. County boundaries are spelled out in State constitutions or statutes; they usually are far more resistant to change than municipal boundaries.

The Advisory Commission has recommended that, in “the implementation of State policy regarding urban growth,” the States should consider various approaches, including “providing urban counties with appropriate governmental authority and organization, [and] encouraging county consolidation.”³⁵

Such an opportunity for locally initiated action would broaden the potentiality of the “urban county” as a means for improved local government in metropolitan areas. It also would simplify county consolidation in rural areas where, with declining population, the need for such action is evident.

Authorize County Subordinate Service Areas. Traditionally local governments impose taxes on a

³⁴ Advisory Commission on Intergovernmental Relations, *Alternative Approaches to Governmental Reorganization in Metropolitan Areas*, (A-11; June 1962). A brief suggested bill drafted to implement this suggestion authorizes any county of more than a specified population size and population density to undertake certain municipal type functions in unincorporated territory. The “urban-service” role of the county may be broadened further by empowering municipalities to transfer selected functional responsibilities to the county, as suggested in a Commission recommendation. See *1970 Cumulative . . .*, Code 31-43-00.

³⁵ Advisory Commission on Intergovernmental Relations, *Urban and Rural America: Policies for Future Growth*, (A-32; April 1968), p. 159. A draft bill to implement county consolidation has been developed. It would (1) authorize the governing bodies of two or more adjoining counties to develop an agreement for consolidation of their governments; (2) authorize initiative petitions to request the development of such a consolidation agreement; and (3) provide for local referendum on the question of consolidation, with approval to require a favorable majority in each county concerned. See *1970 Cumulative . . .*, Code 31-41-00. Suggested legislation has been drafted that would carry out this proposal, and language for a brief constitutional amendment has been developed for consideration in States where constitutional change may be needed. See *1970 Cumulative . . .*, Code 31-43-00. The bill would authorize a county governing body, on its own initiative or in response to popular petition, to create a subordinate service area with defined boundaries and functions, and later to enlarge any such service area. In either instance, action by the county board would be subject to popular referendum, upon petition, within the territory concerned. Kentucky and Utah have recently adopted legislation in accord with this proposal.

uniform basis throughout their entire jurisdiction. Often this practice is seared into State constitutions and statutes. "Special assessments" are a limited exception to this general rule. They are levied in selected small areas to finance localized capital improvements such as sidewalks where the direct benefit is readily apparent.

Though generally logical when it first developed, the principle of intra-jurisdictional tax uniformity is ill suited to an area where spotty or gradual urbanization is occurring—a condition that typifies much of the modern metropolis. It stands squarely in the way of effective use of the county as an appropriate unit of multi-purpose local government to fill the demands for added public services that follow inevitable in the wake of metropolitan growth. Recognizing this basic weakness a number of States have authorized county governments to delineate sub-areas or districts in which they levy additional taxes and provide additional services not needed elsewhere in the county. And one State, New York, has authorized subordinate special-service districts for townships.

This potentially useful device, the Commission believes, should be widely available. Accordingly, the Commission has advised the States to "enact legislation authorizing counties (in some States, towns) to establish subordinate taxing areas in parts of their territory to enable these governments to provide and finance a governmental service in a portion of the county."³⁶

With such power, the county governing body can limit part of its tax levy—or apply an added levy—to the sub-areas in which the residents need or demand additional services. Responsibility for basic policies on the provision of services remains with the county governing body. Political and governmental responsibility are not fragmented. Services provided to only a portion of the jurisdiction can be properly coordinated with other county government services which might not be the case if independent special districts were utilized. Moreover, the county can respond more readily than a special district to additional suburban development that might call for expansion of such service areas.

This recommendation and the Commission's proposal that counties and municipalities be authorized voluntarily to transfer functional responsibilities complement and supplement each other. Transfers of some functions would be impracticable where all county-imposed taxes must apply uniformly, countywide.

Permit Neighborhood "Subunits" in Major Urban Governments. Most examinations of local government structural ailments in metropolitan areas emphasize the large number and complex layering of governmental

units, many of them extremely small. And most proposals for restructuring look toward the substitution of fewer, geographically larger, multipurpose governments. But action in that direction arouses valid concern as to whether such major governments would be sufficiently responsive to the diverse needs of their various sub-communities. How can they hope to enlist widespread civic interest and healthy participation in public affairs? Many existing major city and county governments are hard put to provide acceptable answers.

Often the complaint is voiced that, in the modern impersonal metropolis, city hall and the county building are far too remote from local neighborhoods and ordinary citizens.

The Advisory Commission believes that large cities and counties can overcome this weakness and still reap the important pluses that large units permit by developing and working with and through subunits designed to stimulate local areas toward neighborhood improvement and active involvement in the governmental process. The Commission has urged: "the enactment of State legislation authorizing large cities and county governments in metropolitan areas to establish neighborhood subunits of government with limited powers of taxation and of local self-government with respect to specified and restricted functions . . . Such subunits would be dissoluble by the city or county governing body at any time."³⁷

Allow Voluntary Transfer of Functions. The prevailing division of functional responsibilities between counties and municipalities was hammered out in an earlier era when needs and conditions differed vastly from those now common in metropolitan areas.

Today, municipalities in these areas are crowded together shoulder to shoulder. Many metropolitan

³⁷*Fiscal Balance . . .*, vol. 2, p. 16; Governor Rhodes and Governor Rockefeller dissented. A draft bill designed to implement this proposal: (1) Defines its potential coverage, and expresses the purpose of encouraging citizen participation through neighborhood councils as legal entities of major city and county governments; (2) Provides for the establishment by city or county governing boards of service areas and councils for particular neighborhoods, in response to initiative petition from those areas; (3) Authorizes the governing boards to change the boundaries of such areas, or to dissolve neighborhood units, and specifies the procedures to be followed; (4) Provides for popular election of neighborhood council members; and (5) Outlines suggested area-council powers, including limited financing authority. Under the suggested legislation, authorization for neighborhood subunits would be entirely at the option of the governing board of the major city or county concerned. Furthermore, they could set up such subunits for some neighborhoods and not for others. The power of the originating city of county governing body to dissolve subunits entirely at its own discretion, the Commission emphasizes, is a built-in safeguard against the subunits becoming independent new local governments. See *1970 Cumulative . . .*, Code 31-58-00.

³⁶*The Problem of Special Districts . . .*, pp. 82-8.

counties now are almost entirely urbanized. The earlier logic of two separate layers of multi-function local governments has largely disappeared. Today's logic suggests the desirability of "vertical integration" through city-county consolidation, and this approach ought to be fully explored as a desirable goal wherever restructuring of local governments in metropolitan areas is needed. However, consolidation efforts may encounter stone wall opposition. If this occurs the Advisory Commission suggests as an alternative voluntary transfers of selected functional responsibilities between municipalities and counties. This approach calls for the States to authorize the "legislative bodies of municipalities and counties located within metropolitan areas to take mutual and coordinate action to transfer responsibility for specified governmental services from one unit of government to the other."³⁸

Selective adjustment of functional assignments tailored to the needs of particular metropolitan counties may avoid the stormier battles that often mar locally initiated efforts at more comprehensive structural change, or State-mandated changes in municipal and county government assignments. Legislation along these lines has been enacted recently in Idaho, Michigan, and Tennessee.

Authorize Interlocal Agreements. Another way of meeting public service needs in a changing modern metropolis involves agreements under which certain activities are carried out jointly or cooperatively by two or more local governments, or by one unit on behalf of others. The agreements may be continuing or temporary, formal or informal, and may be entered into pursuant to special act or general law.

Arrangements of this kind have obviously useful features. Existing local governments that are too small to carry on certain functions economically may trim costs by having services performed on a cooperative pooled basis or by another larger unit. Use of this practice may also offer some hedge against the creation of special districts, with their potential for further complication and overlapping of local government structure. And these arrangements also may promote better intergovernmental relations.

³⁸ *Governmental Structure . . .*, p. 30; Secretary Ribicoff abstained. A draft bill to carry out this recommendation includes suggested definitions of the geographic areas to be covered, the functions and services that may be voluntarily reassigned, as well as procedural and other considerations that must receive official attention from the county and municipal governing bodies concerned. See *1970 Cumulative . . .*, Code 31-58-00.

On the other hand, such joint agreements have important limitation. They rest upon voluntary arrangements, reflecting the immediate local interest of the participating units; changing conditions may lead to controversy or withdrawal. Some of the units may be too weak to bargain effectively for a "fair" agreement. Contracts between some units may serve their interests at the expense of other neighboring units or the metropolis as a whole. Extensive use of intergovernmental service arrangements may confuse lines of responsibility and erode meaningful public accountability. And joint arrangements sometimes serve to "prop up" and perpetuate an essentially undesirable pattern of local government, thus delaying efforts toward more basic structural improvement.

The Advisory Commission, in its recommendations, has taken account of both the usefulness and the shortcomings of interlocal contract. In a 1961 report, the Commission recommended the enactment of legislation by the States "authorizing, at least within . . . metropolitan areas, two or more units of local government to exercise jointly or cooperatively power possessed by one or more of the units concerned and to contract with one another for the rendering of governmental services."³⁹

A year later noting the differences in relative bargaining position of individual local governments, the Commission recommended that the State government "make its 'good offices' available in the event of disputes between or among local units of government in connection with interlocal contracts."⁴⁰

More recently, the Commission has expressed concern that under some circumstances the interlocal contracting device encourages fiscal disparities within metropolitan areas, by fostering the creation or retention of small non-viable governmental units. Accordingly, the Commission's proposal (discussed above) that the States create effective machinery for controlling and adjusting local government boundaries includes the recommendation that State or regional boundary adjustment agencies be empowered to "enjoin the use of an interlocal contract within the metropolitan area when it is found to promote fractionalization of the tax base without overriding compensating advantages."⁴¹ Such

³⁹ *Governmental Structures . . .*, p. 22; Secretary Ribicoff abstained.

⁴⁰ *Alternative Approaches . . .*, p. 32.

⁴¹ *Fiscal Balance . . .*, vol. 2, p. 14; Governor Rhodes and Governor Rockefeller dissented.

action should be taken, the Commission recommends, only "with adequate public notice and hearings, and subject to judicial review."⁴²

Empower Metropolitan Functional Authorities to Handle Areawide Services. The creation of many multi-county agencies to deal with "large area" public services, such as air pollution, mass transportation, water supply, or sewage disposal, accounts for part of the recent multiplication of special districts. Such action often is more feasible politically than the merger of existing multipurpose governments, and is one way of overcoming "small-area" handicaps.

The practice of pulling out single functions for independent handling, if carried too far, however, can result in a whole array of powerful authorities, each operating in its own bailiwick, unrelated in planning, programming and financing to the other areawide agencies and to preexisting jurisdictions. Furthermore, such authorities often are controlled by appointive boards that are not directly responsible to the electorate and may be entirely independent of other local governments in the area.

Despite these dangers the Advisory Commission believes that States should permit metropolitan areas to use large-area functional authorities where this device is more desirable or feasible than basic restructuring of the existing pattern of local multi-purpose government. States should authorize local units of government within metropolitan areas to establish "metropolitan service corporations" the Commission has advised. The corporations should have appropriate borrowing and taxing power, but their initial establishment and any subsequent broadening of their functions and responsibilities should be subject to areawide voter approval.⁴³

In a later report, the Commission reaffirmed and supplemented this proposal urging that "State legislation be enacted to authorize the use of taxing powers by

responsible metropolitan service agencies carrying on functions not solely financed by user changes."⁴⁴

Draft legislation to implement these recommendations seeks to guard against the multiple layering and political irresponsibility of special districts.⁴⁵ It provides that: (1) A "metropolitan service corporation" may be created on the basis of a majority vote in the area to be served by the corporation, pursuant to an election resulting either from resolution of the governing bodies of major local governments or from petition; (2) The corporation would be empowered by statute, subject to local voter approval, to carry on one or more of several specified metropolitan functions; (3) If responsibility for comprehensive planning were voted to the corporation, performance of this function would be required for the entire metropolitan area, but other functions could be handled for smaller service areas; (4) The corporation would be governed by a board consisting of representatives from the county governing boards and the councils and mayors of component municipalities; (5) The corporation would have power to impose service charges and benefit assessments, and to issue bonds; (6) If responsible for functions appropriate for tax financing, the corporation would also have taxing power.

The Commission suggests that such an authority might be empowered to levy a property tax or a "piggy-back" addition to a State-imposed sales tax, rather than a separate local sales or income tax. Any use of property taxation, the Commission warned, should be accompanied by equalization of assessments throughout the area.

This type of authorizing legislation is designed to permit metropolitan residents to handle appropriate large-area service through a single agency—rather than several—and to adjust the functional scope of the agency to meet changing needs and conditions. The makeup of its governing board would promote cooperation and coordination between the service authority and the counties and municipalities within its area.

To Foster Area-Wide Coordination . . .

Civilizing the local government jungle in most areas of most States, the Commission is convinced, will require the basic adjustments of local government structure and the strengthening of multipurpose governments outlined above. But this is strong medicine. Angry opposition will greet some of the more controversial prescriptions for healing local government's ailments. In

⁴²A bill to authorize interlocal contracting and joint enterprises has been drafted. (See *1970 Cumulative . . .*, Code 31-91-00.) Most States now have enacted legislation along these lines. Also available are draft constitutional amendments designed to remove barriers to intergovernmental cooperation, including inherited constitutional provisions that, in some States, bar certain officials from serving as members of intergovernmental bodies. Another draft bill based upon a Georgia law would specifically authorize special State assistance to local governments are considering consolidated or joint administration of particular functions. (See *1970 Cumulative . . .*, Codes 31-91-10, 31-91-11 and 31-91-12.) In addition, the Commission has published a handbook for local officials which describes the application of interlocal agreements and contracts and suggests points to consider in drafting. (See *A Handbook for Interlocal Agreements and Contracts*, (M-29; March 1967).

⁴³*Governmental Structure . . .*, p. 26; County Executive Michaelian and Mr. Burton dissented; Secretary Ribicoff abstained.

⁴⁴*Metropolitan Disparities . . .*, A-25, p. 120.

⁴⁵*1970 Cumulative . . .*, Code 31-63-00.

the short run, pending more basic changes in governmental structure and powers, less drastic action aimed at promoting coordinated and cooperative action by local governments within metropolitan areas may be the only politically feasible means at hand to deal with problems that won't wait. Even in the longer run, effective coordination will be needed to lubricate the mechanism that emerges as the best attainable structural arrangement. It is unreasonable to expect that all local public services in every large metropolitan area soon will be brought together into a single multipurpose government—especially if the area is interstate in nature.

The Commission believes that, in the interim, better coordination of existing local governments in metropolitan areas may be achieved by:

- Providing for regional councils of elected officials.
- Gubernatorial action to help resolve disputes among local governments within metropolitan areas.

Authorize Regional Councils of Public Officials. In the past, formal organizations of governments or public officials have generally brought together representatives of particular types of governments such as counties, municipalities, or townships, or administrators concerned with particular public functions such as public welfare, highways, education, public health or financial administration. More recently, another type of organization has developed, which cuts across these lines and is focused at the need for effective communication and coordination among the various local governments operating within particular metropolitan areas. Such bodies, often referred to as councils of governments (or "COG's") have increased in number from a mere handful in the late 1950's to several score today.

COG's differ in make up and authority but generally they are composed of elected local officials—mayors and designated members of governing boards—in a particular area; some also include representation from the State government. As a minimum, they serve as forums for discussion, research, and recommendation on matters of intergovernmental concern. They typically employ some full-time staff, at least for research assistance. In some instances, they have broadened their role to include responsibility for metropolitan planning and for the provision of facilitative services on behalf of member governments, such as employee training in particular fields or joint purchasing.

Regional councils rest upon voluntary participation by legally independent units of governments; they cannot be viewed as a substitute for the basic restructuring needed to deal with controversial issues that demand enforceable area-wide decisions. Nevertheless,

the Advisory Commission believes "that the voluntary metropolitan council can be a useful means of stimulating greater cooperation among governmental officials, creating public awareness of metropolitan problems, and developing an areawide consensus on more effective ways of handling these problems." And so the Commission has recommended that the States "facilitate the formation of voluntary metropolitan councils of elected officials by . . . legislation authorizing the making of interlocal agreements, supplemented by whatever special provisions may be required in the particular instance in according legal entity status to voluntary councils desirous of such status."⁴⁶ Related Commission proposals on metropolitan area planning commissions and regional planning and development agencies are reviewed in Chapter 3.

Empower Governor to Resolve Interlocal Disputes. In the "governmentally cogested" environment of the modern metropolis, it is inevitable that conflicts of interest should arise among local governments. Proposals for a State agency of local or urban affairs, for State or local boundary commissions, and for the authorization of regional councils of officials or governments ("COG's") are designed, at least in part, to limit such differences or to aid in their reconciliation. Beyond this, however, the Commission has suggested that the Governor serve as the umpire and mediate major unresolved disputes that require settlement. Where needed, the Commission has said, States should "take legislative or administrative action to encourage and facilitate exercise of discretionary authority by the Governor and his office, to resolve those disputes among local units of government within metropolitan areas which (a) cannot be resolved at the local level by mutual agreement, (b) are not of sufficient scope or subject matter to warrant special legislative action, and (c) which, however, in the determination of the Governor, are of such moment as to impede the effective performance of governmental functions in the area."⁴⁷

This proposal recognizes the States authority and responsibility for resolving local intergovernmental differences. Stalemates are likely to be severely damaging to people in the metropolitan area concerned, and the governor's duty to see that "the laws are faithfully

⁴⁶ *Alternative Approaches . . .*, p. 38. Draft legislation to implement this recommendation authorizes intergovernmental agreements for the formation of a regional council, provides for membership on behalf of participating counties and municipalities, and specifies the council's powers and duties. (See *1970 Cumulative . . .*, Code 31-91-50.) Numerous States have enacted legislation in accordance with this Commission proposal.

⁴⁷ *Governmental Structure . . .*, p. 41; Secretary Ribicoff abstained.

executed" properly includes a responsibility to help insure that intergovernmental disputes do not prevent the provision of needed public services.

* * * * *

"There is no Gordian knot waiting to be slashed. To yearn for apocalypse and reject the real task—to reform failing institutions—is simply to sabotage one of the world's few self-governing societies.

"The trouble is that most of what needs to get done in the U.S. is pretty boring stuff—things like modernizing taxes, zoning, building codes and local governments."⁴⁸

⁴⁸TIME, August 30, 1968. p. 21.

Civilizing the local government jungle may be "pretty boring stuff," but it is a crucial ingredient of the comprehensive program of action required to deal effectively with the complex of ailments that plague the nation's metropolitan areas. Antiquated patterns of local government structure and authority often stand squarely in the way of efforts to marshal areawide resources to cope with areawide problems.

Legally, local governments of every kind are creatures of the States deriving their structure and authority, their strengths and weaknesses—in short their capacity or lack of capacity to serve as effective "problem solving mechanisms"—from State statutes and constitutional provisions. Clearly the States have a major role to play in the search for viable solutions to the multifaceted problems facing urban America today.

Chapter 5

MEETING THE CHALLENGE OF FEDERALISM: THE STATES' CRUCIAL ROLE

ACIR recommendations cited throughout this volume call for aggressive and imaginative State action to help cope with the crises in metropolitan America. These recommendations far outnumber those addressed to the Federal and local governments. Why this emphasis on the States? Why not more emphasis on the Federal government and its direct relations with urban communities? Why not more stress on citizen responsibility, where the fate of democratic institutions ultimately rests?

The answer, the Advisory Commission believes, lies in the pivotal role of the States in the federal system, and the belief that they must play this role forcefully if the federal system is to survive and flourish.

THE KEystone ROLE OF THE STATES

One respected student of American federalism has noted:¹

The sum of a State's constitutional and political powers within its boundaries and its constitutional position and political role within the federal system as a whole places the States at the keystone in the governmental arch. In its central position, the State serves as a stimulator of local government activities and as mediator between its local governments and Washington and, where necessary, between its local governments and other States When a State government fails to fulfill its role as mediator, in this sense, the resulting vacuum leads to a serious weakening of the system.

The States have life-or-death legal authority over their local governments. They determine the localities' powers, boundaries, and very existence. Thus, State government must accept a significant share of the blame

for the proliferation of units of government in metropolitan areas. State constitutions and legislative enactments have made it possible for so many localities to come into being. Most States have not discouraged the creation of new nonviable units; they have not really encouraged the consolidation of existing units. They have stood by while individual suburbs practice fiscal zoning, admitting high taxpaying industry and excluding large low-income families. They have placed limitations on local taxing and borrowing and have made it impossible in many cases for cities to raise adequate revenues to finance the services that their citizens increasingly demand.

On the positive side, States have the geographic scope required to deal with problems that increasingly are beyond the reach of municipalities or even counties. The areawide nature of the problems of air pollution, water pollution, mass transportation, land use controls, and water supply are well-accepted. Except where such areas straddle State boundaries, the State government possesses the jurisdictional reach to encompass the problem areas.

On the functional front, States historically and with mounting intensity in recent years have administered programs of critical concern to citizens of urban areas. Education, highways, health, hospitals, public assistance, conservation of natural resources—the effective application of State resources in these fields can have a major impact on the urban resident's education, job training, employment and access to it, his freedom from want of basic necessities, and his access to social, physical, and cultural amenities. This becomes increasingly so, as government becomes more deeply involved in social and economic problems. Moreover, where local governments are responsible for administering similar or parallel functional programs, the States have the administrative structure and personnel to offer relevant technical assistance.

Finally, the States possess far greater taxable resources than their localities. In a time of mounting awareness of revenue and service disparities among local

¹Daniel J. Elazar, "Local Government in Intergovernmental Perspective," in Lois M. Pelekoudas, ed., *Illinois Local Government* (Urbana: Institute of Government and Public Affairs, University of Illinois, May, 1961), p. 23.

units of government in metropolitan areas, the States have the jurisdictional reach and the authority to equalize effectively the resources among these local units.

MAKING THE MOST OF STATES' POTENTIAL

In placing heavy emphasis on State action on metropolitan problems, the Advisory Commission is urging the States to make the most of their pivotal role in the federal system. It is asking them to live up to their constitutional and political position of leadership and responsibility for the well-being of all their citizens, including those living in metropolitan areas. This involves State action on four fronts.

First, the States need to empower appropriate localities to perform more effectively within their existing jurisdictions and to join with their neighbors to tackle joint problems. This means giving certain local governments "residual powers" to exercise all authority except that which is specifically denied by constitution or statute. It means authorizing the creation of metropolitan study commissions, the transfer of functions between cities and counties, the negotiation of intergovernmental contracts and agreements (but not among nonviable units), the establishment of regional councils of elected local governmental officials, the use of metropolitan functional authorities, and the liberalization of municipal annexation authority. It means strengthening county government by broadening its powers by authorizing it to establish differential taxing authorities so as to distinguish equitably between urban and rural service costs, and by facilitating consolidation. It means empowering cities and counties to adopt optional forms of government, and allowing them to establish neighborhood subunits and set up services to help rural migrants adjust to urban living.

On the fiscal side, States should remove property tax and debt limits, enable localities to invest idle cash profitably and safely, authorize the addition of local tax supplements to States sales and income taxes, and provide cities and adjoining jurisdictions in large metropolitan areas with uniform taxing powers and authority for cooperative tax enforcement.

Second, at the same time the States need to restrain local communities from further complicating the intergovernmental chaos of fractionated metropolitan areas, including the intensification of social and economic disparities. They should establish State or local boundary commissions; place firmer controls on new incorporations and on the formation, merger, and dissolution of special districts; discourage nonviable units by withholding State aid; and restrict zoning authority in metro-

politan areas to larger municipalities and county governments in order to encourage a wide range of housing prices.

In terms of revenue, they should encourage local governments to use more productive taxes and discourage the smaller jurisdictions from excessive tax diversity. Pending State assumption of substantially all costs of elementary and secondary education, the States should authorize regional school property taxing districts to assist in equalizing the property tax burdens of school financing between central cities and suburbs.

Third, the States should provide policy and program leadership by improving the delivery of State services that impact directly on urban citizens, by helping urban governments improve their revenue systems, by encouraging areawide approaches, and by providing technical and financial assistance to localities. They need to establish offices of community affairs to advise the Governor and legislature on local problems, help coordinate State programs affecting local governments, provide technical assistance to localities, and possibly directly administer such State urban assistance programs as housing, urban renewal and planning. The Governor should make his good offices available to mediate interlocal disputes. States should provide financial incentives to localities to establish joint undertakings. To increase the housing supply for low income groups, they should authorize local units to purchase existing housing, lease quarters in private housing, and permit financial assistance to private nonprofit groups for the provision of subsidized housing to low-income groups. They should establish uniform relocation assistance requirements for those displaced by State and local projects. In the latter case, they should help localities pay the cost of such assistance.

Fiscally, States should equalize general support grants as well as health and hospital grants to reflect varying fiscal capacities and efforts, and improve the allocation of highway-user revenues in fairer recognition of urban needs. They should establish machinery to improve the planning, design and ongoing administration of all their grant programs. In the education field, they need to reform school aid formulas to release more funds for disadvantaged children, and move toward State assumption of substantially all public school financing.

Equally significant, States need to take the leadership in strengthening local units' primary revenue source—the property tax—by improving the tax's legal coverage, enforcing and publicizing adequate assessment levels, improving the assignment of assessment responsibilities, adopting measures for upgrading assessment personnel, and providing taxpayer remedies, including "full disclosure."

Fourth, the States need to work with and through their local governments and the private sector in shaping the course of future urban development. Better control over urban development and the avoidance of more sprawl necessitate State development of an urbanization policy, consistent with National urbanization policies, to guide specific decisions affecting the pattern of urbanization. States need to authorize and encourage establishment of metropolitan planning and zoning powers in unincorporated areas lacking county controls of the same kind, encourage greater uniformity in building codes and better code administration, and allow municipalities power to protect open space other than through land purchase. They should consider the creation of State and local land development agencies and the regulation of land use around highway interchanges where adequate local controls are lacking. They should permit improved land regulation devices such as official maps, mandatory dedication of land for school and park sites, and planned unit development zoning. Finally, they should remove barriers to joint public-private efforts to solve urban problems.

CAN WE RELY ON THE FIFTY STATES?

While the States have the potential to assume these vital roles in aiding the plight of their metropolitan areas, skeptics may well ask: What assurance do we have that they will do so? In other words, will they actually take action on issues involving the bulk of their citizens? Up until quite recently, the record of most States in behalf of their urban areas was not outstanding—witness the current crisis of most cities and the anti-State bias of most urban mayors. Going back to the 19th Century, legislatures dominated by rural interests and pervaded by a Jeffersonian suspicion of city people and an abiding faith in the virtue of the “rural way of life,” not only neglected the cities’ entreaties for more freedom to order their affairs as they pleased, but in some cases imposed punitive restraints and requirements upon them.

Since that time vast changes have occurred—swiftly in some States, more slowly in others. The Federal Government has moved in to provide direct assistance to local areas, undercutting the original pattern of working through the States. Yet the growing threat of increasing direct Federal involvement, the shift in the makeup of legislatures as a consequence of the Supreme Court decision on legislative apportionment, and fears of racial turmoil have spurred a growing State responsiveness to

the needs of urban areas. Evidence of this response is found in the adoption by some States of various ACIR and similar proposals for greater State attention to and action on urban problems. A few States, of course, acted long before these prods and these proposals.

Yet, totaling up all these accomplishments, and looking optimistically at the chances for further progress along these lines, is it reasonable to assume that most States will be “in time with enough” or “too little and too late?” To put it more bluntly, can the hard-pressed mayors and city councils, faced with the stark facts of racial frictions, eroding tax bases, and constantly increasing service demands be fairly expected to have faith in the States’ claims of deep concern and pleas for more time to prove their good intentions and promises? Or will these local officials be guided by past experience with indifferent State legislatures, their long-nourished feelings of being discriminated against and neglected, and their concrete experience of getting some assistance from the Federal Government when they really need it?

In the judgment of the Advisory Commission on Intergovernmental Relations, our urban citizenry—and the nation—have too much at stake to be asked to count on promises and to yield to a stirring plea to rally to such flags as “decentralization” or “pluralism.” What the citizens, the cities, and the nation demand is a positive demonstration by more States that they are willing and prepared to play the key role they are constitutionally equipped to play. What they demand is that more States earn their way back into the Federal-State-local partnership. What the cities demand, in plain terms, is massive financial assistance from the States.

This means substantial grants in certain critical program areas, such as water and sewer facilities and mass transportation services as recommended by the ACIR and others (see Appendix D). It means that the States must move to assume the responsibility for financing most of the costs of public education; and that State aid programs for highways, health and hospitals, and education be equalized so as to reflect sensitively the greater program needs and more restricted resources of troubled urban areas. What massive fiscal help means, finally, is that—

... the States assume their proper responsibilities for assisting and facilitating urban development; to this end it is recommended that Federal grants-in-aid to local governments for urban development be channeled through the States in cases where a State (a) provides appropriate administrative machinery to carry out relevant responsibilities, and (b) provides significant financial contributions, and when

appropriate, technical assistance to the local governments concerned.²

For the State government itself, the Commission is convinced that playing an effective leadership and financial assistance role means a marked upgrading—by constitutional revision where necessary—of both the executive and legislative branches. For the executive, this means giving the Governor a four year term, enabling him to succeed himself, and reducing the number of independently elected executive officials. In addition, the Commission has proposed—

... State constitutional and statutory action, where needed, to provide a gubernatorial budget covering all estimated income and expenditures of the State government to be submitted to each session of the State legislature ... (and) ... that State constitutions be amended, where needed, to authorize the Governor to reorganize the administrative structure of State government and to shift functions among State departments and agencies with the exercise of such reorganization powers subject to a veto by either house of the State legislature within a specified time period.³

Finally, Governors should have the responsibility and means for comprehensive planning of State resources and programs. All the pleas for State leadership, development of an urbanization policy, State involvement in urban problems, will be just so much rhetoric unless the Governor's office is revamped along these lines.

A strengthened legislature is equally critical, to maintain a proper balance against a strengthened executive as well as to discharge effectively the increasingly complex and critical function of law-making.

... Specifically the Commission recommends that the holding of annual sessions be given serious consideration in those States now holding biennial sessions. Further, in order that legislative compensation not deter the holding of annual sessions, the Commission recommends that legislators be paid on an annual basis in an

²*Impact of Federal Urban Development Programs on Local Government Organization and Planning*, prepared by ACIR in cooperation with the Subcommittee on Intergovernmental Relations of the Committee on Government Operations, U.S. Senate (Washington, D.C.: 1964), p. 30. Illustrative of the skepticism of municipal and other officials concerning the States were the dissents to this Commission recommendation: Secretary Weaver, Senator Muskie, Mayors Tucker, Blaisdell and Naftalin, and Mr. Hummel.

³Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System* (A-31; October 1967), Vol. 1, pp. 39-40.

amount commensurate with demands upon their time⁴ ... (and) ... that the States provide for year-round professional staffing of major committees of their State legislatures.⁵

As part of its oversight and policy-making role, the legislature should participate actively in the formulation and revision of major program and policy plans as well as reviewing and passing judgment on plans proposed by the Governor in his role as chief State planning officer.

We have reached a point in time where Madison's twin principles of separation of powers and checks and balances need application at the State level. All States ostensibly adhere to them. But, in contrast to the decision of the Founding Fathers to create a strong, but balanced National Government, most States—in truth—have adhered to a theory of pulverized power. At the State level, in contrast to the national, authority is not responsibly divided and balanced, but is smashed into fragments and scattered all over the public and private sectors. Indeed, at this point in time, the pulverization of the power of most State governments only undermines genuine constitutionalism and the entire American federal system.

STRONG MEDICINE—BUT A SERIOUS ILLNESS

Massive State aid to urban areas, State "buying-in" to Federal-local programs, State aid equalization more sensitive to urban needs, State assumption of substantially all public school costs, strengthening the Governor as chief executive and the legislature as policymaker and counterweight to the Governor—for most States this is strong medicine. In terms of the illness to be treated, however, it is none too strong. The illness, unfortunately, is a compound one: the problem of making metropolitan areas governable and liveable for all of their inhabitants, described at length in earlier chapters; and the problem of preventing the dissolution of our traditional federal system.

The malaise of our metropolitan areas will not lessen if the States ignore the danger. Since the 1930's, urban areas have found a receptive ear in Washington and they are constantly striving to expand this relationship. Yet, from a political standpoint, Washington will not be likely to fully bail out the large cities, especially in light of the increased strength of suburban delegations in the House of Representatives. State financial aid is a crucial factor in narrowing the gap between urban needs and urban resources. Moreover, on the structural and

⁴Governor Dempsey dissented.

⁵*Fiscal Balance* . . . , Vol. 1, pp. 43-44

legal fronts, only the State can provide genuine leadership. The "Feds" simply lack the requisite authority, although no one should assume with certainty that the reach of the 14th Amendment has been established for all time. In short, State involvement in the fate of urban America is as vital as the involvement of the National Government.

The other "illness" is just as grave. Should the States fail to meet this challenge, should they fail to

reassert their responsibility and maintain their pivotal position in the partnership triangle, they may fatally erode federalism's foundations. In doing this, they will seriously jeopardize the values which sustained the system for 180 years: diversity, pluralism, experimentation, protection from arbitrary majoritarianism and over-centralization, and a greater degree of citizen participation. That is the ultimate measure of urban America's challenge to federalism in 1969.

Appendix A

TABLE A-1.—ESTIMATED LOCAL DIRECT TAX BURDEN FOR A FAMILY OF FOUR WITH \$10,000 GROSS INCOME RESIDING IN THE LARGEST CITY IN EACH STATE, 1968

City ¹	Real estate tax ²		Local direct taxes ³	
	Amount	As a % of market value of home	Gross income	Market value of home
1. Newark, N. J.	\$1,501	7.90%	15.01%	7.90%
2. Burlington, Vt.	771	4.06	7.71	4.06
3. Boston, Mass.	737	3.88	7.37	3.88
4. Milwaukee, Wisc.	724	3.81	7.24	3.81
5. Philadelphia, Pa.	496	2.61	6.96	3.66
6. Indianapolis, Ind.	694	3.65	6.94	3.65
7. Baltimore, Md.	544	2.86	6.72	3.54
8. Manchester, N.H.	658	3.46	6.58	3.46
9. Hartford, Conn.	647	3.41	6.47	3.41
10. Sioux Falls, S.D.	643	3.38	6.43	3.38
11. Portland, Me.	640	3.37	6.40	3.37
12. Des Moines, Iowa	635	3.34	6.35	3.34
13. New York, N.Y.	476	2.51	6.26	3.29
14. Detroit, Mich.	510	2.68	6.05	3.18
15. Omaha, Nebr.	587	3.09	5.87	3.09
16. Portland, Ore.	562	2.96	5.62	2.96
17. Wilmington, Dela.	560	2.95	5.60	2.95
18. Providence, R.I.	555	2.92	5.55	2.92
19. Wichita, Kansas	541	2.85	5.41	2.85
20. Miami, Florida	538	2.83	5.38	2.83
21. Great Falls, Mont.	520	2.74	5.20	2.74
22. Denver, Colo.	410	2.16	4.97	2.62
23. Fargo, N.D.	494	2.60	4.94	2.60
24. St. Louis, Mo.	404	2.13	4.92	2.59
25. Cleveland, Ohio	409	2.15	4.84	2.55
26. Los Angeles, Calif.	446	2.35	4.80	2.53
27. Phoenix, Arizona	432	2.27	4.80	2.53
28. Louisville, Ky.	302	1.59	4.77	2.51
29. Memphis, Tenn.	424	2.23	4.76	2.51
30. Anchorage, Alas.	459	2.42	4.59	2.42
31. Chicago, Ill.	402	2.12	4.33	2.28
32. Houston, Texas	404	2.13	4.25	2.24
33. Boise, Idaho	424	2.23	4.24	2.23
34. Charlotte, N.C.	386	2.03	4.20	2.21
35. S.L.C., Utah	378	1.99	4.02	2.12
36. Okla. City, Okla.	342	1.79	3.86	2.03
37. Las Vegas, Nev.	333	1.75	3.74	1.97
38. Minneapolis, Min.	362	1.91	3.62	1.91
39. Atlanta, Ga.	356	1.87	3.56	1.87
40. Cheyenne, Wyo.	353	1.86	3.53	1.86
41. Jackson, Miss.	323	1.70	3.52	1.85
42. Albuquerque, N.M.	239	1.26	3.32	1.75
43. Seattle, Wash.	288	1.52	2.88	1.52
44. Little Rock, Ark.	265	1.39	2.65	1.39
45. Norfolk, Virginia	224	1.18	2.63	1.38
46. Birmingham, Ala.	192	1.01	2.53	1.33
47. Columbia, S.C.	251	1.32	2.51	1.32
48. New Orleans, La.	106	.56	2.38	1.25
49. Charleston, W.Va.	179	.94	1.79	.94
50. Honolulu, Hawaii	150	.79	1.50	.79
Median	428	2.25	4.82	2.54

¹ Cities are ranked from high to low on the basis of local direct taxes as a percentage of gross income.

² Real estate tax estimates are based on a home with a \$19,000 market value. Amounts were originally computed for 1966 on the basis of effective property tax rate data for selected major local areas, reported by the U.S. Bureau of the Census in *Taxable Property Values*, Vol. 2 of the 1967 Census of Governments. The 1966 estimate for the largest city in each State was reviewed by a knowledgeable official in each such city and updated to 1968 for this presentation. In a number of instances, local estimates for 1968 deviated significantly from the 1966 difference was at least one-third in the following cities: Newark, Detroit, Anchorage, Charlotte, and Atlanta.

³ Includes the following local taxes: real property, personal income, and general sales. In computing personal income taxes, it was assumed that all income was from wages and salaries and earned by one spouse, and that the optional standard deduction was used.

TABLE A-2.—EFFECT ON STATE AND LOCAL FINANCING OF 90 PERCENT STATE FINANCING OF ELEMENTARY AND SECONDARY EDUCATION AND 100 PERCENT NATIONAL FINANCING OF PUBLIC ASSISTANCE, INCLUDING MEDICAID,* 1967
(dollar amounts in millions)

State and region	Required increase or decrease (-) in State revenue		Local revenue relief	
	Amount	Percent ¹	Amount	Percent ²
United States	\$8,992.3	23.8	\$12,996.0	33.9
New England	572.4	26.5	849.3	37.7
Maine	49.0	29.4	59.2	40.9
New Hampshire	53.8	60.0	60.3	48.5
Vermont	30.0	31.1	35.1	62.9
Massachusetts	262.8	24.4	436.5	36.4
Rhode Island	20.2	11.8	44.9	31.6
Connecticut	156.5	28.1	213.2	36.3
Mideast	2,002.2	23.3	3,327.4	33.5
New York	780.9	16.8	1,715.0	32.2
New Jersey	513.1	50.4	624.3	38.7
Pennsylvania	468.6	23.5	661.3	34.6
Delaware	4.7	2.7	10.2	14.8
Maryland	234.9	31.6	303.3	42.6
Dist. of Columbia	—	—	13.3	4.2
Great Lakes	2,289.1	33.3	2,909.1	38.7
Michigan	329.3	17.9	495.4	29.6
Ohio	618.4	44.0	754.5	39.0
Indiana	302.9	31.4	331.4	34.8
Illinois	748.4	45.4	962.6	42.9
Wisconsin	300.1	28.3	365.2	50.6
Plains	1,046.7	35.5	1,277.5	39.5
Minnesota	244.7	30.1	317.1	38.9
Iowa	229.2	42.0	267.2	45.6
Missouri	206.5	29.4	263.6	33.5
North Dakota	46.2	28.8	54.1	46.4
South Dakota	51.7	43.2	58.7	44.8
Nebraska	109.7	60.5	123.8	37.4
Kansas	158.8	37.0	193.1	41.3
Southeast	900.1	11.9	1,224.3	23.8
Virginia	208.0	27.1	225.3	29.0
West Virginia	45.4	13.7	61.3	35.5
Kentucky	50.2	8.9	81.1	23.5
Tennessee	94.4	16.4	118.9	25.1
North Carolina	52.1	5.4	86.1	19.5
South Carolina	24.1	5.2	33.5	18.0
Georgia	60.0	7.9	93.7	16.1
Florida	239.1	24.1	271.2	22.5
Alabama	23.3	4.1	53.8	15.6
Mississippi	37.8	10.2	52.2	20.5
Louisiana	31.8	3.5	90.6	23.6
Arkansas	34.1	10.6	56.8	31.9
Southwest	513.6	18.2	677.3	28.4
Oklahoma	83.0	15.8	147.4	42.6
Texas	336.3	20.4	414.6	25.4
New Mexico	7.3	2.6	18.5	15.7
Arizona	86.9	23.6	96.7	33.2
Rocky Mountain	320.7	31.7	401.6	42.4
Montana	61.4	49.6	71.6	48.9
Idaho	29.8	19.5	35.7	31.0
Wyoming	24.8	31.0	28.5	36.2
Colorado	159.7	37.2	209.9	45.9
Utah	44.9	20.0	55.8	37.5
Far West ³	1,342.0	24.8	2,316.7	34.2
Washington	61.1	6.9	126.9	24.0
Oregon	153.0	36.4	181.6	43.9
Nevada	23.4	23.0	27.3	22.1
California	1,104.6	27.6	1,981.0	34.7
Alaska	9.2	9.6	12.8	29.4
Hawaii	-13.7	-5.2	—	—

*As the Medicaid program becomes fully operative in all States, the effect of National Government assumption of full financial responsibility for public assistance including Medicaid will become more pronounced. In fiscal 1967, the State and local expenditure for Medicaid was about \$1 billion; in fiscal 1968 it had increased to \$1.7 billion.

¹ Required increase as a percent of State general revenue from own sources.

² Local revenue relief as a percent of local general revenue from own sources.

³ Excluding Alaska and Hawaii.

Source: U.S. Department of Health, Education, and Welfare, Social and Rehabilitation Service, and Office of Education, *Digest of Educational Statistics, 1967*; and U.S. Bureau of the Census, *Governmental Finances in 1966-67*.

**TABLE A-3—STATE LEGISLATION EXEMPTING BUSINESS PERSONALTY FROM TAXATION OR REDUCING
THE BUSINESS PERSONAL PROPERTY TAX, JANUARY 1, 1969**

State	Type of Legislation	Legal Citation
Arizona	1. Exempts wholesalers' and retailers' inventories. 2. Freeport Law.	Amendment of <u>Constitution</u> , Art. 9, Sec. 2, adopted 11/3/64. <u>Arizona Revised Statutes</u> , Sec. 42-631.
California	Exempts 15% of the assessed value of business inventories.	S.C.A. 1, 1st. Spec. Sess., Laws of 1968.
Colorado	1. Reduces the assessment of freeport merchandise to 17 1/2% for 1966 and 5% thereafter (assessment ratio for all other taxable property standardized at 30%). 2. Reduces the assessment of the stocks of merchandise of a manufacturer or merchant by 5% a year (from 30% in 1968) to 5% for 1973 and each year thereafter.	Chap. 290, Laws of 1965 (<u>Colorado Revised Statutes</u> , Sec. 137-1-4). Chap. 370, Laws of 1967 (<u>Colorado Revised Statutes</u> , Sec. 137-5-9).
Connecticut	1. Gradually exempts manufacturers' inventories (assessments reduced by 10% a year, until fully exempt by 1975). 2. Freeport Law.	Chap. 461, Laws of 1965 (<u>General Statutes of Connecticut, Revision of 1958</u> , Sec. 12-81). Chap. 603, Laws of 1965 (<u>General Statutes of Connecticut</u> , Sec. 12-91.1 - 12-91.3).
Delaware	All tangible and intangible personal property is exempt.	<u>Delaware Code of 1953</u> , Sec. 8102, Title 9 and Sec. 102 (a), Title 30.
Dist. of Col.	Freeport Law.	<u>District of Columbia Code of 1951</u> , Sec. 47-1204.
Florida	Inventories are assessed at 50% of just valuation for 1968 and at 25% for 1969 and thereafter.	Chap. 367, Laws of 1967 (<u>Florida Statutes</u> , Sec. 192.05).
Georgia	Motor vehicles in dealers' inventories are assessed at 75% of the assessed value of other motor vehicles.	Act 52, Laws of 1967 (<u>Georgia Code of 1933</u> , Sec. 92-111A).
Hawaii	1. Personal property tax repealed in 1947. 2. Exempts machinery and allied equipment used primarily to manufacture or produce tangible personal products (assessed as real property).	Act 120, Laws of 1967 (<u>Revised Laws of Hawaii, 1955</u> , Sec. 128-21.6).
Idaho	1. Freeport law broadened to include goods manufactured in Idaho and destined for out-of-State shipment. 2. Gradually exempts business inventories (assessments reduced by 25% a year, beginning in 1968, until fully exempt by 1971).	Chap. 173, Laws of 1963 (<u>Idaho Code</u> , 1947, Sec. 63-105V). H.B. 243, <u>Laws of 1967</u> .
Illinois	Freeport Law.	H.B. 1319, Laws of 1963 (<u>Illinois Statutes</u> , Revenue Act of 1939, Sec. 19.21).
Indiana	Freeport law broadened to include goods shipped into State with a within-State destination, when held in a public or private warehouse.	Chap. 29, Laws of 1963, 1st. Spec. Session, and Chap. 398, Laws of 1965 (<u>Indiana Statutes</u> , Property Assessment Act of 1961, Sec. 503).
Iowa	1. Goods stored in a public warehouse and held for sale or resale. 2. Freeport Law.	<u>Code of Iowa</u> , Sec. 427.1 (29). Chap. 269, Laws of 1963 (<u>Code of Iowa</u> , Sec. 427.1 (30)).

**TABLE A-3.—STATE LEGISLATION EXEMPTING BUSINESS PERSONALTY FROM TAXATION OR REDUCING
THE BUSINESS PERSONAL PROPERTY TAX, JANUARY 1, 1969 (Cont'd)**

State	Type of Legislation	Legal Citation
Kansas	Freeport Law.	Chap. 456, Laws of 1963; Chap. 512, Laws of 1965 (<u>General Statutes of Kansas, 1949</u> , Sec. 79-304).
Kentucky	Personal property held in a public warehouse for trans-shipment is exempt from general property taxation but subject to a Statewide special property tax of 1 1/2¢ per \$100 of fair cash value.	Chap. 172, Laws of 1964; H.B. 320, Laws 1966 (<u>K.R.S.</u> , 132.095).
Louisiana	Freeport Law.	Act 152, Laws 1960 (<u>Louisiana Revised Statutes</u> , Title 47, Subtitle III, Chap. 3, Sec. 1951.3).
Maine	Freeport Law.	<u>Maine Revised Statutes Annotated, 1964</u> , Title 36, Chap. 105, Sec. 655.
Maryland	<ol style="list-style-type: none"> 1. Gradual phase-out of county property tax on manufacturer's personal property in Frederick County. 2. Gradual phase-out of county property on business inventories in Carroll County, Harford County, and Prince George's County. 3. General authorization for counties to eliminate or phase-out tax on business personal property. 	<p>Chap. 475, Laws of 1963 (<u>Annotated Code of Maryland, 1957</u>, Art. 81, Sec. 9 (23)).</p> <p>1st Spec Session; Chap. 4 and Chap 113, Laws of 1965; Chap. 612, Laws of 1966, (<u>Code Art. 81</u>, Sec. 15 (b-2, b-3, b-4)).</p> <p>H.B. 378, <u>Laws of 1967</u>.</p>
Massachusetts	<ol style="list-style-type: none"> 1. Freeport Law. 2. Individuals and partnerships operating as merchants are taxable, but business corporations operating as merchants are exempt from taxation on most all types of tangible personal property including merchandise except machinery used in the conduct of the business. 	<p><u>Massachusetts General Laws of 1932</u>, Chap. 59, Sec. 2.</p> <p><u>Massachusetts General Laws of 1932</u>, Chap. 59, Sec. 5(16).</p>
Michigan	<ol style="list-style-type: none"> 1. Exempts special tools used in manufacturing (dies, fixtures, molds, patterns, guages, etc.). 2. Exempts mechanic tools up to \$500 and personal property of a householder used in business up to \$500. 3. Freeport Law. 	<p>Act 197, Laws of 1964 (<u>Compiled Laws, State of Michigan, 1948</u>, Sec. 211.9b).</p> <p><u>Compiled Laws, State of Michigan, 1948</u>, Sec. 211.9(8) and (11).</p> <p><u>Compiled Laws, State of Michigan, 1948</u>, Sec. 211.9(12).</p>
Minnesota	<ol style="list-style-type: none"> 1. Taxpayers may elect to have exempt either inventories or tools and machinery which by law are considered personal property. 2. Freeport Law. 	<p>Ch. 32, Art. IV, Laws 1967, 1st Sp. Sess. (<u>M.S.A.</u>, Sec. 272.02 (11)).</p> <p><u>Minnesota States Annotated</u>, Sec. 272.022 and 272.023.</p>
Mississippi	<ol style="list-style-type: none"> 1. Exempts manufactured products owned by or remaining in the hands of a manufacturer, if ultimately to be shipped or sold to other than the final consumer and not at retail. 2. Freeport Law. 	<p><u>Mississippi Code of 1942</u>, Sec. 9697.7(1), (3), and (4).</p> <p><u>Mississippi Code of 1942</u>, Sec. 9699-02.</p>

**TABLE A-3.—STATE LEGISLATION EXEMPTING BUSINESS PERSONALTY FROM TAXATION OR REDUCING
THE BUSINESS PERSONAL PROPERTY TAX, JANUARY 1, 1969 (Cont'd)**

State	Type of Legislation	Legal Citation
Missouri	<ol style="list-style-type: none"> 1. Freeport Law 2. Exempts Commission merchants with respect to unmanufactured articles, consigned for sale, in which they have no interest other than their commission. 	<p><u>Missouri Revised Statutes of 1949</u>, Sec. 137.093. <u>Missouri Revised Statutes of 1949</u>, Sec. 150.040.</p>
Montana	<ol style="list-style-type: none"> 1. The taxable property in the State is classified into nine classes and assessed at various percentages ranging from 7% to 100% of true and full value. Freeport property is assessed at 7%. 2. Stocks of merchandise of all sorts together with furniture and fixtures used therewith, except mobile homes, and all office or hotel furniture and fixtures are assessed at 33 1/3%. 	<p>Chap. 294, Laws of 1967 (<u>Revised Codes of Montana, 1947</u> Secs. 84-301 and 84-302).</p> <p><u>Revised Codes of Montana, 1947</u>, Secs. 84-301 and 84-302.</p>
Nebraska	Freeport Law.	<u>Revised Statutes of Nebraska, 1943</u> , Sec. 77-1226.01.
Nevada	Freeport Law.	<u>Revised Statutes of Nevada, 1957</u> , Sec. 361.160.
New Hampshire	Exempts goods held for out-of-State delivery by a manufacturer when title has passed to the purchaser.	Chap. 239, Laws of 1963 (<u>Revised Statutes Annotated of New Hampshire, 1955</u> , Sec. 72:15).
New Jersey	<ol style="list-style-type: none"> 1. Exempts business inventories and all other business personal property, except that used in telephone and telegraph systems, from local property taxation. Subjects certain kinds of business personalty, but not business inventories, to a Statewide tax of \$1.30 per \$100 of taxable value. 2. Exempts personal property stored in a public warehouse. 	<p>Chap. 136 and Chap. 138, Laws of 1966 (<u>Revised Statutes of New Jersey, 1937</u>, Secs. 54:4-1 and 54:11 A-2).</p> <p><u>Revised Statutes of New Jersey, 1937</u>, Sec. 54:4-3.20.</p>
New York	All tangible and intangible personal property is exempt.	<u>New York Consolidated Laws</u> , Chap. 50-a, Sec. 300.
New Mexico	Freeport Law.	Chap. 60, Laws of 1963 (<u>New Mexico Statutes, 1953</u> , Sec. 72-2-1.1)
North Carolina	Freeport Law (beginning July 1, 1969, until then a freeport exemption is provided only for property held at seaports awaiting shipment to foreign countries).	Chap. 1185, Laws of 1967 (<u>North Carolina Statutes</u> , Sec. 105-281).
North Dakota	Freeport Law broadened to include goods acquired or manufactured in North Dakota and destined for out-of-State shipment.	S.B. 302, Laws of 1967 (<u>North Dakota Century Codes</u> , Sec. 57-02-42).
Ohio	<ol style="list-style-type: none"> 1. Tangible personalty is assessed at 70% of its true value in money, with several exceptions. Personal property used in business is assessed at 50%. Merchants' inventories are to be assessed at the following ratios: 63% in 1968; 57% in 1969; 52% in 1970, and 50% for the year 1971 and thereafter. 2. Freeport Law 	<p><u>Ohio Revised Code</u>, Sec. 5711.22.</p> <p><u>Ohio Revised Code</u>, Sec. 5701.08.</p>

**TABLE A-3.—STATE LEGISLATION EXEMPTING BUSINESS PERSONALTY FROM TAXATION OR REDUCING
THE BUSINESS PERSONAL PROPERTY TAX, JANUARY 1, 1969 (Cont'd)**

State	Type of Legislation	Legal Citation
Oklahoma	Freeport Law	Chap. 501, Laws of 1965 (<u>Oklahoma Statutes Annotated</u> , Title 68, Sec. 2425).
Oregon	<ol style="list-style-type: none"> 1. Gradual reduction of property tax on inventory by 10% a year beginning in 1966, until 1970 and thereafter, when tax reduced to 50%. 2. Freeport Law. 	<p>Chap. 604, Laws of 1965 (<u>Oregon Revised Statutes</u>, Sec. 310-610). <u>Oregon Revised Statutes</u>, Sec. 307.810.</p>
Pennsylvania	All tangible personal property is exempt.	Act of May 18, 1937, P.L. 633; and Act of June 19, 1939, P.L. 413.
Rhode Island	Exempts manufacturers' inventories.	Chap. 245, Laws of 1966 (<u>General Laws of Rhode Island, 1956</u> , Sec. 44-3-3(20)).
South Carolina	<ol style="list-style-type: none"> 1. Reduces assessment for merchants' personal property to 12% for 1968, 11% for 1969, and 10% for 1970 and thereafter. 2. Exempts manufacturers' inventories (except manufactured articles offered or available for sale at retail). 3. Freeport Law. 	<p><u>Code of South Carolina, 1962</u>, Sec. 65-1647.4. <u>Code of South Carolina, 1962</u>, Sec. 65-1663. <u>Code of South Carolina, 1962</u>, Sec. 65-1655.</p>
South Dakota	Freeport Law.	S.B. 26, Laws of 1966 (<u>South Dakota Code of 1939</u> , Sec. 57.0311).
Tennessee	<ol style="list-style-type: none"> 1. Exempts articles manufactured from the produce of this State in the hands of the manufacturer. 2. Freeport Law. 	<p><u>Tennessee Code Annotated</u>, Sec. 67-502. <u>Tennessee Code Annotated</u>, Sec. 67-502.</p>
Texas	Freeport Law.	Chap. 208, Laws of 1963 (<u>Revised Civil Statutes, 1925</u> , Art. 7150.9).
Utah	<ol style="list-style-type: none"> 1. Freeport Law. 2. Constitutional authority to exempt business inventories. 	<p>SJR5, Laws of 1963, Ammends <u>Constitution</u>, Art. XIII, Sec. 2; Chap. 120, Laws of 1965, (<u>Utah Code Annotated, 1953</u>, Sec. 59.2-18). SJR1, Laws 1967 (approved by electorate November 1968).</p>
Vermont	Exempts tools and implements of a mechanic or farmer, and motorized highway-building equipment and road-making appliances.	<u>Vermont Statutes Annotated, 1959</u> , Title 32, Sec. 3802.
Washington	Freeport Law.	<u>Revised Code of Washington</u> , Sec. 84.36.170.
Wisconsin	<ol style="list-style-type: none"> 1. Increases credit for property taxes on merchants' inventories and manufacturers' materials and finished products from 50% to 60% (50% credit first enacted in 1961). 2. Exempts mechanics tools, farm, orchard and garden machinery and tools, and new farm machinery stocked and owned by a retailer. 3. Freeport Law. 	<p>Chap. 163, Laws of 1965 (<u>Wisconsin Statutes</u>, Sec. 77.64). <u>Wisconsin Statutes</u>, Sec. 70.111 (9). <u>Wisconsin Statutes</u>, Sec. 70.111 (10)(a) and (10)(b).</p>

**TABLE A-3.—STATE LEGISLATION EXEMPTING BUSINESS PERSONALTY FROM TAXATION OR REDUCING
THE BUSINESS PERSONAL PROPERTY TAX, JANUARY 1, 1969 (Cont'd)**

State	Type of Legislation	Legal Citation
Wyoming	<ol style="list-style-type: none"> 1. Exempts certain manufacturers' and merchants' inventories after 1/1/72. 2. Freeport Law. 	<p>Chap. 199, Laws of 1967.</p> <p><u>Wyoming Statutes of 1957</u>, Sec. 39-106.</p>

TABLE A-4.—SELECTED FEATURES OF PROPERTY TAXATION, BY STATE

State	No. of primary assessing areas 1966 ^{1/}	Elected assessors ^{2/}	Constitutional and statutory assessment standards ^{3/}		Conducts periodic ratio studies ^{4/}	State and local property tax collections 1966-67 ^{5/}		
			Legal standard (rate)	Valuation concept		Total (millions)	Per Capita	Per thousand dollars of personal income
Alabama	67	X	30%	Fair and reasonable market value	---	\$116.0	\$33	\$17
Alaska	29	---	100	Full and true value in money	X	18.7	69	22
Arizona	14	X	18-60 ^{6/}	Full cash value	---	222.9	138	60
Arkansas	75	X	20	True market value in money	X	95.6	49	27
California	58	X	20-25 ^{7/}	Full cash value	X	3,752.2	198	63
Colorado	63	X	30	Actual value	X	308.9	156	58
Connecticut	169	X ^{8/}	Up to 100	Uniform % of market value within local district	---	464.1	161	48
Delaware	3	---	100	True value in money	---	33.1	65	19
District of Col.	1	---	100	Full and true value in lawful money	X	88.2	109	30
Florida	67	X	100	Full cash value	X	583.6	98	42
Georgia	159	---	40	Fair market value	X	274.3	62	29
Hawaii	1	---	70	Fair market value or a percentage thereof	X	56.8	79	28
Idaho	44	X	20	Full cash value	X	78.7	113	47
Illinois	1,424	X ^{9/}	100	Fair cash value	X	1,610.8	150	46
Indiana	1,009	X	33 1/3	True cash value	X	686.7	140	49
Iowa	120	---	27	Actual value	X	447.3	163	61
Kansas	105	<u>10/</u>	30	True value in money	X	333.3	148	56
Kentucky	120	X ^{11/}	100	Fair cash value	X	164.7	52	25
Louisiana	64	X	Not below 25	Actual cash value.. Land at not less than \$1 per acre	---	190.4	53	26
Maine	492	<u>12/</u>	"Just value"	At just value in compliance with the laws of the State	X	122.4	125	55
Maryland	24	---	100	Full cash value less an allowance for inflation	X	437.3	121	41
Massachusetts	351	<u>12/</u>	100	Fair cash valuation	X	1,020.6	190	62
Michigan	1,475	<u>12/</u>	50	Full cash value	X	1,131.5	135	45
Minnesota	721	---	Varies by class	Market value	X	591.0	165	62
Mississippi	82	X	100	Assessed in proportion to its value.	---	117.1	50	32
Missouri	435	<u>12/</u>	100	True value in money.	X	435.1	97	36
Montana	56	X	7-100	True and full value	X	114.1	162	67
Nebraska	93	X ^{13/}	35	Required to be valued at its actual value and assessed at 35%	X	258.6	178	67
Nevada	17	X	35	Full cash value	X	62.4	137	43
New Hampshire	234	<u>12/</u>	100	Full and true value in money	X	103.4	152	60

TABLE A-4.—SELECTED FEATURES OF PROPERTY TAXATION, BY STATE (Cont'd)

State	No. of primary assessing areas 1966 ^{1/}	Elected assessors ^{2/}	Constitutional and statutory assessment standards ^{3/}		Conducts periodic ratio studies ^{4/}	State & local property tax collections 1966-67 ^{2/}		
			Legal standard (rate)	Valuation concept		Total (millions)	Per Capita	Per thousand dollars of personal income
New Jersey	567	<u>12/</u>	20—100 ^{14/}	Uniform percentage at true value	X	\$1,283.1	\$186	\$58
New Mexico	32	X	100	Assessed in proportion to its value	X	61.6	60	28
New York	990	<u>12/</u>	100	Full value	X	3,045.9	167	51
North Carolina	100	---	<u>15/</u>	True value in money	---	270.0	54	27
North Dakota	1,772	<u>12/</u>	50	Full and true value in money	X	84.3	130	57
Ohio	88	X	50	True value	X	1,295.8	126	45
Oklahoma	77	X	35	Fair cash value	X	191.1	78	34
Oregon	36	X	100	True cash value	X	277.0	142	52
Pennsylvania	67	<u>12/</u>	100 ^{16/}	Actual value (the price for which the property would sell)	X	1,016.7	88	32
Rhode Island	39	<u>12/</u>	<u>15/</u>	Full and fair cash value	X	114.8	128	46
South Carolina	46	---	100	True value in money	X	102.4	40	22
South Dakota	404	<u>12/</u>	60	True and full value in money	X	104.6	153	69
Tennessee	95	<u>12/</u>	50 ^{17/}	Actual cash value	X	221.9	57	29
Texas	254	<u>12/</u>	100	Full and true value in money	---	1,074.9	100	43
Utah	29	X	30	Reasonable fair cash value	X	118.0	117	50
Vermont	246	<u>12/</u>	Up to 100 ^{15/}	Fair market value	X	47.0	116	50
Virginia	131	<u>12/</u>	100	Fair market value	X	340.2	75	32
Washington	39	X	50	True and fair value	X	310.9	104	36
West Virginia	55	X	100	True and actual value	X	98.0	55	27
Wisconsin	1,834	<u>12/</u>	100	Full value at private sale	X	636.0	153	56
Wyoming	23	<u>12/</u>	<u>18/</u>	Fair value	X	55.9	170	66
Total	14,496		---	---	X	24,670.1	126	46

X -- Signifies "elected."

^{1/} U.S. Bureau of the Census, Primary Assessing Areas for Local Property Taxation, State and Local Government Special Studies, No. 50, April 1966.

^{2/} U.S. Bureau of the Census, Census of Governments, 1967, Vol. 6, No. 1, Popularly Elected Officials of State and Local Governments; and Commerce Clearing House, State Tax Reporter.

^{3/} Commerce Clearing House, State Tax Reporter.

^{4/} U.S. Bureau of the Census, Governments Division

(Footnotes continued on the following page.)

TABLE A-4.—SELECTED FEATURES OF PROPERTY TAXATION, BY STATE (Concl'd)

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- 5/ U.S. Bureau of the Census, Governmental Finances in 1966-67.
 - 6/ Depending on the class of property.
 - 7/ Between 20 and 25 percent of full cash value from 1968 through 1971, thereafter 25 percent.
 - 8/ Town selectmen may provide for appointment and fix length of term and compensation.
 - 9/ In counties with 150,000 to 500,000 population an assessing officer may be appointed in lieu of an elected board.
 - 10/ Optional office: currently elected in 6 counties, appointed in 3; in other counties, county clerk is ex officio assessor.
 - 11/ Elected county assessors, cities vary according to class, may be appointed, elective, or they may adopt county assessment.
 - 12/ Appointed and elected assessors.
 - 13/ Election required in counties of 3,500 population or more; may be appointive in other counties.
 - 14/ In a multiple of 10 as is established by each county board of taxation. If a county fails to establish a uniform percentage, a 50 percent level of assessment is employed until action is taken.
 - 15/ Uniform percentage, determined locally.
 - 16/ In 4th to 8th class counties, real property must be assessed at a predetermined ratio not to exceed 75 percent.
 - 17/ To be attained by 1/1/73, with increasing percentages on the following schedule: 1968, 15 percent; 1969, 25 percent; 1970, 30 percent; 1971, 35 percent; 1972, 40 percent; 1973 and thereafter, 50 percent.
 - 18/ At a fair value in conformity with values and procedures prescribed by the State Tax Commission.

TABLE A-5.—RETAIL SALES, INSIDE (CC) AND OUTSIDE CENTRAL CITY (OCC) AREAS,
37 LARGEST STANDARD METROPOLITAN STATISTICAL AREAS, 1958 AND 1963

Area	1958						1963		As a Percent of 1958	
	SMSA	CC	OCC	SMSA	CC	OCC	CC	OCC		
	(millions)									
Los Angeles-Long Beach, California	\$ 9,040	\$ 4,413	\$ 4,627	\$ 12,149	\$ 5,022	\$ 7,127	113.8%	154.0%		
San Bernardino-Riverside-Ontario, California	913	410	503	1,300	547	753	133.4	149.7		
San Diego, California	1,132	725	407	1,408	794	614	109.5	150.9		
San Francisco-Oakland, California	3,440	1,875	1,565	4,511	2,165	2,346	115.5	149.9		
Denver, Colorado	1,182	833	349	1,533	857	676	102.9	193.7		
Washington, D.C.	2,502	1,304	1,198	3,367	1,418	1,949	108.7	162.7		
Miami, Florida	1,369	752	617	1,618	655	963	87.1	156.1		
Tampa-St. Petersburg, Florida	919	693	226	1,152	767	385	110.7	170.4		
Atlanta, Georgia	1,230	879	351	1,619	1,016	603	115.6	171.8		
Chicago, Illinois	8,398	5,486	2,912	9,889	5,630	4,259	102.6	146.3		
Indianapolis, Indiana	1,127	866	261	1,401	917	484	105.9	185.4		
Louisville, Kentucky-Indiana	820	578	242	977	625	352	108.1	145.5		
New Orleans, Louisiana	968	765	203	1,123	801	322	104.7	158.6		
Baltimore, Maryland	1,956	1,396	560	2,266	1,317	949	94.3	169.5		
Boston, Massachusetts	3,443	1,341	2,102	3,973	1,240	2,733	92.4	130.0		
Detroit, Michigan	4,448	2,274	2,174	5,393	2,303	3,090	101.3	142.1		
Minneapolis-St. Paul, Minnesota	1,871	1,373	498	2,194	1,350	844	98.3	169.5		
Kansas City, Missouri-Kansas	1,486	890	596	1,683	1,066	617	119.8	103.5		
St. Louis, Missouri-Illinois	2,427	1,168	1,259	2,847	1,068	1,779	91.4	141.3		
Newark, New Jersey	2,243	674	1,569	2,582	665	1,917	98.7	122.2		
Paterson-Clifton-Passaic, New Jersey	1,451	523	928	1,871	447	1,424	85.5	153.4		
Buffalo, New York	1,521	794	727	1,675	671	1,004	84.5	138.1		
New York, New York	13,582	9,898	3,684	15,646	10,493	5,153	106.0	139.9		
Rochester, New York	913	551	362	1,138	602	536	109.3	148.1		
Cincinnati, Ohio-Kentucky-Indiana	1,269	815	454	1,404	800	604	98.2	133.0		
Cleveland, Ohio	1,909	1,413	496	2,331	1,278	1,053	90.4	212.3		
Columbus, Ohio	915	734	181	1,145	790	355	107.6	196.1		
Dayton, Ohio	792	479	313	994	471	523	98.3	167.1		
Portland, Oregon-Washington	903	689	214	1,279	752	527	109.1	246.3		
Philadelphia, Pennsylvania-New Jersey	4,943	2,528	2,415	5,737	2,490	3,247	98.5	134.5		
Pittsburgh, Pennsylvania	2,638	990	1,648	2,878	980	1,898	99.0	115.2		
Providence, Rhode Island	903	503	400	1,100	554	546	110.1	136.5		
Dallas, Texas	1,473	1,144	329	1,809	1,288	521	112.6	158.4		
Houston, Texas	1,717	1,299	418	1,962	1,616	346	124.4	82.8		
San Antonio, Texas	703	646	57	807	726	81	112.4	142.1		
Seattle-Everett, Washington	1,444	1,036	408	1,748	1,110	638	107.1	156.4		
Milwaukee, Wisconsin	1,459	1,067	392	1,706	1,076	630	100.8	160.7		
37 SMSA total	89,449	53,804	35,645	108,215	56,367	51,848	104.8	145.5		

Source: U.S. Bureau of the Census, U.S. Census of Business, 1958, Vol. II; and U.S. Census of Business, 1963, Vol. II.

TABLE A-6.—MANUFACTURING EMPLOYMENT, INSIDE (CC) AND OUTSIDE CENTRAL CITY (OCC),
37 LARGEST STANDARD METROPOLITAN STATISTICAL AREAS, 1958 AND 1963
(Thousands)

Area	1958			1963			1963 As a Per- cent of 1958	
	SMSA	CC	OCC	SMSA	CC	OCC	CC	OCC
Los Angeles-Long Beach, California	729.0	327.2	401.8	842.9	304.0	538.9	92.9%	134.1%
San Bernardino-Riverside-Ontario, California	29.2	11.7	17.5	37.5	14.0	23.5	119.7	134.3
San Diego, California	71.4	56.8	14.6	60.3	48.7	11.6	85.7	79.5
San Francisco-Oakland, California	190.3	58.4	131.9	196.1	51.7	144.4	88.5	109.5
Denver, Colorado	53.7	37.9	15.8	69.5	36.1	33.4	95.3	211.4
Washington, D.C.	34.7	21.3	13.4	50.1	22.1	28.0	103.8	209.0
Miami, Florida	36.9	19.4	17.5	43.2	19.2	24.0	99.0	137.1
Tampa-St. Petersburg, Florida	32.2	23.7	8.5	36.7	23.8	12.9	100.4	151.8
Atlanta, Georgia	83.5	49.6	33.9	95.7	52.4	43.3	105.6	127.7
Chicago, Illinois	857.2	569.4	287.8	860.6	508.4	352.2	89.3	122.4
Indianapolis, Indiana	105.6	70.1	35.5	115.8	70.2	45.6	100.1	128.5
Louisville, Kentucky-Indiana	86.7	55.7	31.0	87.6	58.0	29.6	104.1	95.5
New Orleans, Louisiana	46.9	30.1	16.8	49.1	31.1	18.0	103.3	107.1
Baltimore, Maryland	197.8	113.4	84.4	190.5	103.9	86.6	91.6	102.6
Boston, Massachusetts	301.0	90.2	210.8	293.4	82.5	210.9	91.5	100.0
Detroit, Michigan	467.4	213.5	253.9	493.9	200.6	293.3	94.0	115.5
Minneapolis-St. Paul, Minnesota	146.0	113.5	32.5	163.8	110.3	53.5	97.2	164.6
Kansas City, Missouri-Kansas	103.1	64.9	38.2	111.1	62.1	49.0	95.7	128.3
St. Louis, Missouri-Illinois	262.5	146.8	115.7	259.7	129.1	130.6	87.9	112.9
Newark, New Jersey	245.6	78.8	166.8	250.2	73.7	176.5	93.5	105.8
Paterson-Clifton-Passaic, New Jersey	158.5	62.9	95.6	176.5	62.8	113.7	99.8	118.9
Buffalo, New York	173.9	68.0	105.9	162.9	57.0	105.9	83.8	100.0
New York, New York	1,184.0	998.6	185.4	1,147.2	927.4	219.8	92.9	118.6
Rochester, New York	116.7	96.5	20.2	121.3	97.3	24.0	100.8	118.8
Cincinnati, Ohio-Kentucky-Indiana	156.5	76.4	80.1	153.9	76.6	77.3	100.3	96.5
Cleveland, Ohio	273.7	180.8	92.9	280.3	168.9	111.4	93.4	119.9
Columbus, Ohio	73.0	55.4	17.6	80.2	65.9	14.3	119.0	81.3
Dayton, Ohio	97.2	78.2	19.0	104.2	81.2	23.0	103.8	121.1
Portland, Oregon-Washington	58.3	35.2	23.1	65.3	35.6	29.7	101.1	128.6
Philadelphia, Pennsylvania-New Jersey	536.9	298.5	238.4	535.8	264.9	270.9	88.7	113.6
Pittsburgh, Pennsylvania	305.7	99.3	206.4	272.2	81.7	190.5	82.3	92.3
Providence, Rhode Island	127.2	62.6	64.6	125.9	65.0	60.9	103.8	94.3
Dallas, Texas	95.2	79.7	15.5	109.5	86.3	23.2	108.3	149.7
Houston, Texas	104.5	68.8	35.7	108.6	77.3	31.3	112.4	87.7
San Antonio, Texas	20.9	19.3	1.6	23.6	21.4	2.2	110.9	137.5
Seattle-Everett, Washington	114.9	86.5	28.4	121.6	84.1	37.5	97.2	132.0
Milwaukee, Wisconsin	189.5	126.6	63.9	193.8	119.3	74.5	94.2	118.4
37 SMSA total	7,867.3	4,651.5	3,215.8	8,090.5	4,374.6	3,715.9	94.0	115.6

Source: 1963 Census of Manufacturing.

**TABLE A-7.—TEN METROPOLITAN AREAS WITH
MOST NUMEROUS LOCAL GOVERNMENTS: 1967**

SMSA	Local govts.	Land area (sq. mi.)	No. of County areas	Population 1960 (1,000)	Local governments per-		
					100 sq. mi.	County area	100,000 population
Chicago, Ill.	1,113	3,714	6	6,221	30	186	18
Philadelphia, Pa.-N.J.	876	3,549	8	4,343	25	110	20
Pittsburgh, Pa.	704	3,051	4	2,405	23	176	29
New York, N.Y.	551	2,149	5	10,695	26	110	5
St. Louis, Mo.-Ill.	474	4,119	7	2,105	12	68	23
Portland, Ore.-Wash.	385	3,657	4	812	11	96	47
San Francisco-Oakland, Calif.	312	2,486	5	2,649	13	62	12
Indianapolis, Ind.	282	3,082	8	944	9	35	30
Kansas City, Mo.-Kans.	272	2,760	6	1,093	10	45	25
Denver, Colo.	269	3,665	5	929	7	54	29

Source: U.S. Bureau of the Census, *Governmental Organization* (Vol. I, 1967 Census of Governments.)

**TABLE A-8.—MUNICIPALITIES IN METROPOLITAN AREAS,
BY 1960 POPULATION-SIZE: 1967**

1960 Population	Municipalities in SMSA's			1960 population of SMSA municipalities		
	Number	Percent	Percent of U.S. totals	Number (1,000)	Percent	Percent of all SMSA population
All municipalities	4,990	100.0	27.6	88,300	100.0	74.7
300,000 or more	44	0.9	100.0	37,778	42.8	32.0
200,000 to 299,999	19	0.4	100.0	4,495	5.1	3.8
100,000 to 199,999	67	1.3	100.0	8,985	10.2	7.6
50,000 to 99,999	184	3.7	100.0	12,787	14.5	10.8
25,000 to 49,999	214	4.3	57.8	5,433	6.2	4.6
10,000 to 24,999	505	10.1	51.2	7,435	8.4	6.3
5,000 to 9,999	586	11.7	45.2	4,975	5.6	4.2
2,500 to 4,999	666	13.3	37.1	3,983	4.5	3.4
1,000 to 2,499	1,035	20.7	29.0	3,963	4.5	3.4
Less than 1,000	1,670	33.5	17.1	3,280	3.7	2.8

Source: U.S. Bureau of the Census, *Governmental Organization* (Vol. I, 1967 Census of Governments). Includes adjustments of tabular data to reflect footnoted correction of census findings.

Appendix B

DIRECTORY LISTING OF THE 228 STANDARD METROPOLITAN STATISTICAL AREAS IN THE UNITED STATES, AS DEFINED IN 1967 (Excluding Puerto Rico)

SMSA	1960 population (000)	Land area (sq. mi.)	No. of local govts.	Component counties or county-type areas
Abilene, Tex.	120	1,863	38	2: Jones, Taylor
Akron, Ohio	605	917	97	2: Portage, Summit
Albany, Ga.	76	326	6	1: Dougherty
Albany-Schenectady-Troy, N.Y.	658	2,219	221	4: Albany, Rensselaer, Saratoga, Schenectady
Albuquerque, N.M.	262	1,163	8	1: Bernalillo
Allentown-Bethlehem-Easton, Pa.-N.J.	492	1,082	193	3: Lehigh, Northampton, Pa.; Warren, N.J.
Altoona, Pa.	137	531	60	1: Blair
Amarillo, Tex.	149	1,812	15	2: Potter, Randall
Anaheim-Santa Ana-Garden Grove, Calif.	704	782	111	1: Orange
Anderson, Ind.	126	453	51	1: Madison
Ann Arbor, Mich.	172	716	40	1: Washtenaw
Asheville, N. C.	130	645	9	1: Buncombe
Atlanta, Ga.	1,017	1,723	84	5: Clayton, Cobb, DeKalb, Fulton, Gwinnett
Atlantic City, N. J.	161	575	51	1: Atlantic
Augusta, Ga.-S.C.	217	1,422	25	2: Richmond, Ga.; Aiken, S.C.
Austin, Tex.	212	1,015	33	1: Travis
Bakersfield, Calif.	292	8,152	138	1: Kern
Baltimore, Md.	1,804	2,255	27	6: Baltimore, Anne Arundel, Baltimore City, Carroll, Harford, Howard
Baton Rouge, La.	230	462	6	1: East Baton Rouge
Bay City, Mich.	107	446	28	1: Bay County
Beaumont-Port Arthur-Orange, Tex.	306	1,301	54	2: Jefferson, Orange
Billings, Mont.	79	2,635	47	1: Yellowstone
Binghamton, N. Y.-Pa.	284	2,071	131	3: Broome, Tioga, N. Y.; Susquehanna, Pa.
Birmingham, Ala.	721	2,727	86	3: Jefferson, Shelby, Walker
Bloomington-Normal, Ill.	84	1,173	114	1: McLean
Boise City, Idaho	93	1,042	39	1: Ada
Boston, Mass.	2,595	997	146	Suffolk plus parts of 4: Essex, Middlesex, Norfolk, Plymouth
Bridgeport, Conn.	338	192	28	Parts of 2: Fairfield, New Haven
Brockton, Mass.	149	164	15	Parts of 3: Bristol, Norfolk, Plymouth
Brownsville-Harlingen-San Benito, Tex.	151	883	56	1: Cameron
Buffalo, N.Y.	1,307	1,587	145	2: Erie, Niagara
Canton, Ohio	340	573	57	1: Stark
Cedar Rapids, Iowa	137	713	37	1: Linn
Champaign-Urbana, Ill.	132	1,000	158	1: Champaign
Charleston, S.C.	255	2,045	37	2: Berkeley, Charleston
Charleston, W. Va.	253	908	28	1: Kanawha
Charlotte, N. C.	317	1,185	19	2: Mecklenburg, Union
Chattanooga, Tenn.-Ga.	283	1,021	24	2: Hamilton, Tenn.; Walker, Ga.
Chicago, Ill.	6,221	3,714	1,113	6: Cook, Du Page, Kane, Lake, McHenry, Will
Cincinnati, Ohio-Ky.-Ind.	1,268	2,154	266	7: Clermont, Hamilton, Warren, Ohio; Boone, Campbell, Kenton, Ky.; Dearborn, Ind.
Cleveland, Ohio	1,909	1,519	207	4: Cuyahoga, Geauga, Lake, Medina
Colorado Springs, Colo.	144	2,158	67	1: El Paso
Columbus, S. C.	261	1,456	38	2: Lexington, Richland
Columbus, Ga.-Ala.	218	1,112	15	3: Chattahoochee, Muscogee, Ga.; Russell, Ala.
Columbus, Ohio	755	1,484	127	3: Delaware, Franklin, Pickaway
Corpus Christi, Tex.	267	1,518	64	2: Nueces, San Patricio
Dallas, Tex.	1,119	4,467	183	6: Collin, Dallas, Denton, Ellis, Kaufman, Rockwall
Davenport-Rock Island-Moline, Iowa-Ill.	319	1,699	138	3: Scott, Iowa; Rock Island, Henry, Ill.
Dayton, Ohio	727	1,715	159	4: Greene, Miami, Montgomery, Preble
Decatur, Ill.	118	576	88	1: Macon
Denver, Colo.	929	3,665	269	5: Adams, Arapahoe, Boulder, Denver, Jefferson
Des Moines, Iowa	266	594	61	1: Polk
Detroit, Mich.	3,762	1,965	242	3: Macomb, Oakland, Wayne
Dubuque, Iowa	80	608	26	1: Dubuque
Duluth-Superior, Minn.-Wis.	277	7,591	155	2: St. Louis, Minn.; Douglas, Wis.

DIRECTORY LISTING OF
THE 228 STANDARD METROPOLITAN STATISTICAL AREAS IN THE UNITED STATES, AS DEFINED IN 1967 (Cont'd)
(Excluding Puerto Rico)

SMSA	1960 population (000)	Land area (sq. mi.)	No. of local govts.	Component counties or county-type areas
Durham, N.C.	155	697	11	2: Durham, Orange
El Paso, Tex.	314	1,054	20	1: El Paso
Erie, Pa.	251	812	94	1: Erie
Eugene, Oreg.	163	4,560	65	1: Lane
Evansville, Ind.-Ky.	223	1,072	48	3: Vanderburgh, Warrick, Ind; Henderson, Ky.
Fall River, Mass.-R.I.	138	144	9	Parts of 2: Bristol, Mass.; Newport, R.I.
Fargo-Moorhead, N.Dak.-Minn.	106	2,799	171	2: Cass, N. Dak.; Clay, Minn.
Fayetteville, N.C.	148	661	9	1: Cumberland
Fitchburg-Leominster, Mass. . .	90	168	12	Parts of 2: Middlesex, Worcester
Flint, Mich.	416	1,300	97	2: Genesee, Lapeer
Fort Lauderdale-Hollywood, Fla.	334	1,218	49	1: Broward
Fort Smith, Ark.-Okla.	135	3,391	118	4: Sebastian, Crawford, Ark.; LeFlore, Sequoyah, Okla.
Fort Wayne, Ind.	232	670	40	1: Allen
Fort Worth, Tex.	573	1,600	83	2: Johnson, Tarrant
Fresno, Calif.	366	5,964	200	1: Fresno
Gadsden, Ala.	97	555	17	1: Etowah
Galveston-Texas City, Tex. . .	140	429	35	1: Galveston
Gary-Hammond-East Chicago, Ind.	574	939	110	2: Lake, Porter
Grand Rapids, Mich.	462	1,426	105	2: Kent, Ottawa
Great Falls, Mont.	73	2,659	35	1: Cascade
Green Bay, Wis.	125	525	35	1: Brown
Greensboro-Winston-Salem-High Point, N.C.	520	2,211	37	4: Forsyth, Guilford, Randolph, Yadkin
Greenville, S. C.	256	1,290	40	2: Greenville, Pickens
Hamilton-Middletown, Ohio ..	199	471	41	1: Butler
Harrisburg, Pa.	372	1,625	200	3: Cumberland, Dauphin, Perry
Hartford, Conn.	549	674	67	Parts of 3: Hartford, Middlesex, Tolland
Honolulu, Hawaii	500	598	4	1: Honolulu
Houston, Tex.	1,418	6,258	214	5: Brazoria, Fort Bend, Harris, Liberty, Montgomery
Huntington-Ashland, W. Va.-Ky.-Ohio	255	1,407	62	4: Cabell, Wayne, W. Va.; Boyd, Ky.; Lawrence, Ohio
Huntsville, Ala.	154	1,348	22	2: Limestone, Madison
Indianapolis, Ind.	944	3,082	282	8: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Shelby
Jackson, Mich.	132	705	46	1: Jackson
Jackson, Miss.	221	1,677	24	2: Hinds, Rankin
Jacksonville, Fla.	455	777	13	1: Duval
Jersey City, N. J.	611	45	26	1: Hudson
Johnstown, Pa.	281	1,779	202	2: Cambria, Somerset
Kalamazoo, Mich.	170	567	36	1: Kalamazoo
Kansas City, Mo.-Kans.	1,093	2,760	272	6: Cass, Clay, Jackson, Platte, Mo.; Johnson, Wyandotte, Kans.
Kenosha, Wis.	101	273	27	1: Kenosha
Knoxville, Tenn.	368	1,428	33	3: Anderson, Blount, Knox
Lafayette, La.	85	283	13	1: Lafayette
Lafayette-West Lafayette, Ind.	89	501	31	1: Tippecanoe
Lake Charles, La.	145	1,104	25	1: Calcasieu
Lancaster, Pa.	278	944	139	1: Lancaster
Lansing, Mich.	299	1,697	126	3: Clinton, Eaton, Ingham
Laredo, Tex.	65	3,298	11	1: Webb
Las Vegas, Nev.	127	7,927	21	1: Clark
Lawrence-Haverhill, Mass.-H.H.	199	208	20	Parts of 2: Essex, Mass.; Rockingham, N.H.
Lawton, Okla.	91	1,084	25	1: Comanche
Lewiston-Auburn, Maine	70	120	6	1: Part of Androscoggin
Lexington, Ky.	132	280	10	1: Fayette
Lima, Ohio	161	1,305	107	3: Allen, Putnam, Van Wert
Lincoln, Nebr.	155	845	51	1: Lancaster
Little Rock-North Little Rock, Ark.	272	1,492	72	2: Pulaski, Saline
Lorain-Elyria, Ohio	218	495	55	1: Lorain

**DIRECTORY LISTING OF
THE 228 STANDARD METROPOLITAN STATISTICAL AREAS IN THE UNITED STATES, AS DEFINED IN 1967 (Cont'd)
(Excluding Puerto Rico)**

SMSA	1960 population (000)	Land area (sq. mi.)	No. of local govts.	Component counties or county-type areas
Los Angeles-Long Beach, Calif.	6,039	4,060	233	1: Los Angeles
Louisville, Ky.-Ind.	725	908	148	3: Jefferson, Ky.; Clark, Floyd, Ind.
Lowell, Mass.	164	154	15	Part of 1: Middlesex
Lubbock, Tex.	156	892	19	1: Lubbock
Lynchburg, Va.	111	1,014	7	3: Lynchburg, Amherst, Campbell
Macon, Ga.	180	630	13	2: Bibb, Houston
Madison, Wis.	222	1,197	88	1: Dane
Manchester, N. H.	103	139	12	Parts of 2: Hillsborough, Merrimac
Mansfield, Ohio	118	497	4	1: Richland
McAllen-Pharr-Edenburg, Tex.	181	1,541	65	1: Hidalgo
Memphis, Tenn.-Ark.	675	1,374	48	2: Shelby, Tenn.; Crittenden, Ark.
Meriden, Conn.	52	24	2	Part of 1: New Haven
Miami, Fla.	935	2,054	36	1: Dade
Midland, Tex.	68	938	4	1: Midland
Milwaukee, Wis.	1,279	1,458	174	4: Milwaukee, Ozaukee, Washington, Waukesha
Minneapolis-St. Paul, Minn. .	1,482	2,111	220	5: Anoka, Dakota, Hennepin, Ramsey, Washington
Mobile, Ala.	363	2,855	30	2: Baldwin, Mobile
Monroe, La.	102	638	12	1: Ouachita
Montgomery, Ala.	200	1,418	14	2: Elmore, Montgomery
Muncie, Ind.	111	398	38	1: Delaware
Muskegon-Muskegon Heights, Mich.	150	504	51	1: Muskegon
Nashville, Tenn.	464	1,638	32	3: Davidson, Sumner, Wilson
New Bedford, Mass.	143	142	14	Parts of 2: Bristol, Plymouth
New Britain, Conn.	129	84	9	Part of 1: Hartford
New Haven, Conn.	321	246	23	Part of 1: New Haven
New London-Groton-Norwich, Conn.	171	374	46	Parts of 1: New London
New Orleans, La.	907	2,026	41	4: Jefferson, Orleans, St. Bernard, St. Tammany
New York, N. Y.	10,695	2,149	551	5: New York City, Nassau, Rockland, Suffolk, Westchester
Newark, N. J.	1,689	698	207	3: Essex, Morris, Union
Newport News-Hampton, Va. ..	225	255	6	3: Hampton City, Newport News City, York
Norfolk-Portsmouth, Va.	579	667	7	4: Chesapeake City, Norfolk City, Portsmouth City, Virginia Beach City
Norwalk, Conn.	97	72	9	Parts of 1: Fairfield
Odessa, Tex.	91	907	6	1: Ector
Ogden, Utah	111	549	29	1: Weber
Oklahoma City, Okla.	512	2,137	78	3: Canadian, Cleveland, Oklahoma
Omaha, Nebr.-Iowa	458	1,533	230	3: Douglas, Sarpy, Neb.; Pottawattamie, Iowa
Orlando, Fla.	318	1,237	41	2: Orange, Seminole
Oxnard-Ventura, Calif.	199	1,851	86	1: Ventura
Paterson-Clifton-Passaic, N.J.	1,187	427	200	2: Bergen, Passaic
Pensacola, Fla.	203	1,681	15	2: Escambia, Santa Rosa
Peoria, Ill.	313	1,814	261	3: Peoria, Tazewell, Woodford
Philadelphia, Pa.-N.J.	4,343	3,594	876	8: Bucks, Chester, Delaware, Montgomery, Philadelphia, Pa.; Burlington, Camden, Gloucester, N. J.
Phoenix, Ariz.	664	9,226	110	1: Maricopa
Pine Bluff, Ark.	81	890	32	1: Jefferson
Pittsburgh, Pa.	2,405	3,051	704	4: Allegheny, Beaver, Washington, Westmoreland
Pittsfield, Mass.	77	140	11	Part of 1: Berkshire
Portland, Maine	139	95	16	Part of 1: Cumberland
Portland, Oreg.-Wash.	822	3,657	385	4: Clackamas, Multnomah, Washington, Oreg.; Clark, Wash.
Providence-Pawtucket-Warwick, R.I.-Mass.	821	681	83	Bristol, and parts of 7: Kent, Newport, Providence, Washington, R. I.; Bristol, Norfolk, Worcester, Mass.
Provo-Orem, Utah	107	1,998	37	1: Utah

DIRECTORY LISTING OF
THE 228 STANDARD METROPOLITAN STATISTICAL AREAS IN THE UNITED STATES, AS DEFINED IN 1967 (Cont'd)
 (Excluding Puerto Rico)

SMSA	1960 population (000)	Land area (sq. mi.)	No. of local govts.	Component counties or county-type areas
Pueblo, Colo.	119	2,401	26	1: Pueblo
Racine, Wis.	142	337	42	1: Racine
Raleigh, N. C.	169	864	17	1: Wake
Reading, Pa.	275	864	172	1: Berks
Reno, Nev.	85	6,281	13	1: Washoe
Richmond, Va.	436	1,195	7	4: Richmond City, Chesterfield, Hanover, Henrico
Roanoke, Va.	159	303	4	2: Roanoke City, Roanoke
Rochester, N. Y.	733	2,314	207	4: Livingston, Monroe, Orleans, Wayne
Rockford, Ill.	230	803	116	2: Boone, Winnebago
Sacramento, Calif.	626	3,441	213	3: Placer, Sacramento, Yolo
Saginaw, Mich.	191	812	52	1: Saginaw
Salem, Oregon	147	1,912	121	2: Marion, Polk
Salinas-Monterey, Calif.	198	3,324	85	1: Monterey
St. Joseph, Mo.	91	404	19	1: Buchanan
St. Louis, Mo.-Ill.	2,105	4,119	474	7: St. Louis City, Franklin, Jefferson, St. Charles, St. Louis, Mo.; Madison, St. Clair, Ill.
Salt Lake City, Utah	448	1,032	64	2: Davis, Salt Lake
San Angelo, Tex.	65	1,534	16	1: Tom Green
San Antonio, Tex.	716	1,962	59	2: Bexar, Guadalupe
San Bernardino-Riverside- Ontario, Calif.	810	27,308	234	2: Riverside, San Bernardino
San Diego, Calif.	1,033	4,255	164	1: San Diego
San Francisco-Oakland, Calif.	2,649	2,486	312	5: Alameda, Contra Costa, Marin, San Francisco, San Mateo
San Jose, Calif.	642	1,302	74	1: Santa Clara
Santa Barbara, Calif.	169	2,738	68	1: Santa Barbara
Savannah, Ga.	188	441	14	1: Chatham
Scranton, Pa.	235	454	75	1: Lakawanna
Seattle-Everett, Wash.	1,107	4,234	268	2: King, Snohomish
Sherman-Denison, Tex.	73	927	42	1: Grayson
Shreveport, La.	281	1,727	25	2: Bossier, Caddo
Sioux City, Iowa-Neb.	120	1,126	50	2: Woodbury, Iowa; Dakota, Neb.
Sioux Falls, S. Dak.	87	815	100	1: Minnehaha
South Bend, Ind.	271	911	75	2: St. Joseph, Marshall
Spokane, Wash.	278	1,763	104	1: Spokane
Springfield, Ill.	147	880	102	1: Sangamon
Springfield, Mo.	126	677	17	1: Greene
Springfield, Ohio	131	402	33	1: Clark
Springfield-Chicopee-Holyoke, Mass.-Conn.	494	537	45	Parts of 4: Hampden, Hampshire, Worcester, Mass.; Tolland, Conn.
Stamford, Conn.	178	89	14	Part of 1: Fairfield
Steubenville-Weirton, Ohio-W.Va.	168	582	62	3: Jefferson, Ohio; Brooke, Hancock, W. Va.
Stockton, Calif.	250	1,409	156	1: San Joaquin
Syracuse, N. Y.	564	2,421	191	3: Madison, Onondaga, Oswego
Tacoma, Wash.	322	1,676	79	1: Pierce
Tallahassee, Fla.	74	684	4	1: Leon
Tampa-St. Petersburg, Fla. ..	772	1,304	39	2: Hillsborough, Pinellas
Terre Haute, Ind.	172	1,499	99	4: Clay, Sullivan, Vermillion, Vigo
Texarkana, Tex.-Ark.	92	1,530	48	2: Bowie, Tex.; Miller, Ark.
Toledo, Ohio-Mich.	631	1,523	137	3: Lucas, Wood, Ohio; Monroe, Mich.
Topeka, Kans.	141	545	43	1: Shawnee
Trenton, N. J.	266	228	38	1: Mercer
Tucson, Ariz.	266	9,241	24	1: Pima
Tulsa, Okla.	419	3,824	107	3: Creek, Osage, Tulsa
Tuscaloosa, Ala.	109	1,340	8	1: Tuscaloosa

DIRECTORY LISTING OF
 THE 228 STANDARD METROPOLITAN STATISTICAL AREAS IN THE UNITED STATES, AS DEFINED IN 1967 (Cont'd)
 (Excluding Puerto Rico)

SMSA	1960 population (000)	Land area (sq. mi.)	No. of local govts.	Component counties or county-type areas
Tyler, Tex.	86	922	19	1: Smith
Utica-Rome, N. Y.	331	2,669	152	2: Herkimer, Oneida
Vallejo-Napa, Calif.	200	1,585	71	2: Napa, Solano
Waco, Tex.	150	1,034	42	1: McLennan
Washington, D.C.-Md.-Va. ...	2,077	2,347	84	10: District of Columbia; Montgomery, Prince Georges, Md.; Alexandria City, Fairfax City, Falls Church City, Arlington, Fairfax, Loudoun, Prince William, Va.
Waterbury, Conn.	186	219	16	Parts of 2: Litchfield, New Haven
Waterloo, Iowa	122	567	11	1: Black Hawk
West Palm Beach, Fla.	228	1,978	75	1: Palm Beach
Wheeling, W. Va.-Ohio	190	948	67	3: Marshall, Ohio, W. Va.; Belmont, Ohio
Wichita, Kans.	382	2,442	137	2: Butler, Sedgwick
Wichita Falls, Tex.	130	1,519	30	2: Archer, Wichita
Wilkes-Barre-Hazleton, Pa. .	347	891	134	1: Luzerne
Wilmington, Del.-N.J.-Md. ..	415	1,139	83	3: New Castle, Del.; Salem, N. J.; Cecil, Md.
Wilmington, N. C.	92	1,067	17	2: Brunswick, New Hanover
Worcester, Mass.	329	473	53	Part of 1: Worcester
York, Pa.	290	1,437	214	2: Adams, York
Youngstown-Warren, Ohio	509	1,039	109	2: Mahoning, Trumbull

Appendix C

SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS, DECEMBER 1968

Name of agency	Alaska	California	Colorado	Connecticut
	Local Affairs Agency	Intergovernmental Council on Urban Growth ²	Division of Local Government	Department of Community Affairs
Year established	1959	1963	1966	1967
Location	Office of Governor	Office of Governor	Executive Department	Independent Department
Functions				
Advisory, coordinating & technical assistance				
Fiscal advice	X		X	
Municipal management	X			X
Engineering & public works	X			X
Legislative aspects of intrastate government relations	X		X	
Research, statistics & information collection	X	X	X	X
Personnel training	X		X	
Assist Gov. in coordg. State activities affecting localities	X	X	X	X
Recmd. programs & legislation	X	X	X	X
Interlocal cooperation	X	X	X	
Boundary and fringe problems	X			
Financial assistance				X ³
Supervise local finances				
Planning functions				
Statewide planning				X
Local planning assistance	X			X
Coord. with regional planning	X	X		X
Coord. with Statewide plng.		X		X
Program responsibility				
Urban renewal & redevelopment				X
Poverty				X
Housing				X
Area redevelopment	X ¹			
Statutory citations	A.S. 44.19 180 et. seq.	Ch. 1809, 1963 Stats.; 823, 1965	S.B. 23, 1966	P.A. 522, 1967

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SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS, DECEMBER 1968 (Continued)

	Illinois	Massachusetts	Minnesota	Missouri
Name of agency	Office of Local Government	Department of Community Affairs	Office of Local and Urban Affairs	Department of Community Affairs ⁴
Year established	1966	1968	1967	1967
Location	Office of Governor	Independent department	In State planning Agency	Independent department
Functions				
Advisory, coordinating & technical assistance				
Fiscal advice				X
Municipal management			X	X
Engineering & public works				X
Legislative aspects of intrastate government relations				X
Research, statistics & information collection	X	X	X	X
Personnel training		X		X
Assist Gov. in coordg. State activities affecting localities	X	X	X	X
Recmd. programs & legislation	X	X	X	X
Interlocal cooperation		X	X	X
Boundary and fringe problems				
Financial assistance		X		
Supervise local finances				
Planning functions				
Statewide planning				X
Local planning assistance		X		X
Coord. with regional planning		X	X	X
Coord. with Statewide plng.				X
Program responsibility				
Urban renewal & redevelopment		X		X
Poverty		X		
Housing		X		
Area redevelopment				X
Statutory citations	H.B. 2194, 1965 (Approp. Act)	Ch. 761, Acts of 1968	Minn. Statutes Secs. 4.11, 4.12, 4.13, 4.16	H.B. 129, 1967

SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS, DECEMBER 1968 (Continued)

	Montana	Nebraska	New Jersey	New York
Name of Agency	Dept. of Planning and Economic Development	Division of State and Urban Affairs	Department of Community Affairs	Office of Local Government
Year established	1967	1967	1966	1959
Location	Independent department	Dept. of Economic Development	Independent department	Within the executive department
Functions				
Advisory, coordinating & technical assistance				
Fiscal advice		X		X
Municipal management		X	X	X
Engineering & public works			X	X
Legislative aspects of intrastate government relations			X	X
Research, statistics & information collection	X	X	X	X
Personnel training			X	X
Assist Gov. in coordg. State activities affecting localities	X	X	X	X
Recmd. programs & legislation		X	X	X
Interlocal cooperation	X	X	X	X
Boundary and fringe problems				
Financial assistance			X	
Supervise local finances			X	X ⁵
Planning functions				
Statewide planning			X	
Local planning assistance	X	X	X	
Coord. with regional planning	X	X	X	X
Coord. with Statewide plng.	X		X	
Program responsibility				
Urban renewal & redevelopment			X	
Poverty		X	X	
Housing			X	
Area redevelopment		X	X	
Statutory citations	S.B. 19, 1967	L.B. 34, 1967	1966 Laws, Ch. 293	N.Y. Consolidated Laws, Ch. 335

SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS, DECEMBER 1968 (Continued)

	Ohio	Pennsylvania	Rhode Island	Tennessee	
Name of agency	Department of Urban Affairs	Department of Community Affairs	Department of Community Affairs	Office for Local Government	Office of Urban Affairs
Year established	1967	1966	1968	1963	1967
Location	Independent department	Independent department	Within the executive branch	Office of Comptroller of Treasury	Office of Governor
Functions					
Advisory, coordinating & technical assistance			•		
Fiscal advice	X	X	X		
Municipal management	X	X	X		
Engineering & public works			X		
Legislative aspects of intrastate government relations					
Research, statistics & information collection	X	X	X	X	X
Personnel training		X	X		
Assist Gov. in coordg. State activities affecting localities	X	X	X	X	X
Recmd. programs & legislation	X	X	X		
Interlocal cooperation	X	X	X	X	
Boundary and fringe problems					
Financial assistance		X	X		
Supervise local finances		X	X		
Planning functions					
Statewide planning			X		
Local planning assistance	X ⁶	X	X		
Coord. with regional planning	X	X	X		
Coord. with Statewide plng.		X	X		
Program responsibility					
Urban renewal & redevelopment		X	X		
Poverty	X	X	X		X
Housing		X	X		
Area redevelopment	X ⁶	X			X ⁷
Statutory citations	Substitute H.B. 495, 1967	Reorg. Plan 2, Act 582, 1965 Regular Session (Ap. 2/1/66)	S.B. 300, 1968	Laws, 1963 Ch. 205	Executive Authority, 1967

SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS, DECEMBER 1968 (Concluded)

	Vermont	Virginia	Washington	Wisconsin
Name of agency	Office of Local Affairs ⁸	Division of State Planning and Community Affairs	Planning and Community Affairs Agency	Department of Local Affairs and Development
Year established	1967	1968	1967	1967
Location	Office of Governor	Office of Governor	Office of Governor	Independent department
Functions				
Advisory, coordinating & technical assistance				
Fiscal advice	X			X
Municipal management	X			X
Engineering & public works	X		X	
Legislative aspects of intrastate government relations				X
Research, statistics & information collection	X	X	X	X
Personnel training				
Assist Gov. in coordg. State activities affecting localities	X		X	X
Recmd. programs & legislation	X		X	X
Interlocal cooperation			X	X
Boundary and fringe problems			X	X
Financial assistance			X ³	
Supervise local finances				
Planning functions				
Statewide planning	X	X	X	
Local planning assistance	X		X	X
Coord. with regional planning	X	X	X	X
Coord. with Statewide plng.	X	X	X	X
Program responsibility				
Urban renewal & redevelopment			X ⁹	
Poverty			X ⁹	X
Housing	X		X ⁹	
Area redevelopment			X ⁹	
Statutory citations	Executive authority; 1967 Approp. Act.	H.B. 545, 1968	Laws 1967, Ch.74	Laws 1967, Ch. 75

APPENDIX C FOOTNOTES

- ¹ Refers to administration of the Rural Redevelopment Fund.
- ² Department and Commission of Housing and Community Development administers other programs, notably those of direct administration (poverty program, housing, etc.) rather than those of supervision and assistance. It renders advice on fiscal problems related to its progress, collects statistics and recommends legislation.
- ³ All State financial aid to localities for urban renewal, poverty programs, mass transit, etc., is channelled at the discretion of the Director (or Commissioner) of the Agency (or Department).
- ⁴ Effective October 15, 1967.
- ⁵ In New York, the State Comptroller, an elective officer, supervises certain aspects of local fiscal affairs, audits and examines them on a continuing basis, maintains a State data bank on local governments, and advises and gives technical assistance on matters of law and finance. (N.Y. Consolidated Laws, Ch. 24.)
- ⁶ Refers solely to the functions of the Ohio Office of Appalachia within the Department of Urban Affairs.
- ⁷ Includes administration of the Appalachian Re-Development and the Public Works and Economic Development Programs.
- ⁸ The Vermont Office was set up by executive authority only, and is awaiting statutory authority to undertake the functions proposed.
- ⁹ The Washington State Agency is given responsibility for "Administration or coordination of state programs and projects relating to community affairs for the planning and carrying out of the acquisition, preservation, use and development of land and provision of public facilities and services for fully carrying out the state's role in related federal grant or loan programs."

Appendix D

TWO CASE STUDIES:

WATER AND SEWERAGE AND MASS TRANSPORTATION

Most of the reports of the Advisory Commission on Intergovernmental Relations, as already noted, deal with broad types of problems that directly or indirectly involve a range of governmental activities. However, certain Commission reports have focused on particular public functions. Two of these are water and sewer services and mass transportation. Each of them is important and relatively costly, and each involves significant issues of intergovernmental relations which have merited study by the Commission.

WATER AND SEWERAGE

Few governmental activities, if any, are more essential to day-to-day life within the modern metropolis than the provision of water and the disposal of sewage. At the height of the "Battle of Britain," according to Winston Churchill, the only time that he feared for the survival of London was when bombing threatened to completely disrupt "the drains"—its sewage disposal system.

Also, there are few if any other public services that illustrate more vividly the complications that have resulted from the recent rapid development of a new urban form—today's metropolitan "spread city"—without a corresponding major adjustment in inherited governmental structural arrangements. These are services that must and can be socially provided only where human settlement is relatively concentrated; they are unnecessary or unduly costly for sparsely settled areas. Traditionally, they have been handled by "urban" local governments—municipalities, which in earlier days were geographically separate from one another. But in the sprawling modern metropolis, many formerly separate communities have grown together, new ones have been created, and sizable "semi-urban" sections in various stages of development have made their appearance.

In 1962 the Advisory Commission issued a report on *Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas*. Some of the

recommendations contained in this report have since been implemented, but most of the problems to which it was addressed have continued; some have become even more serious.

Inherited Governmental Roles

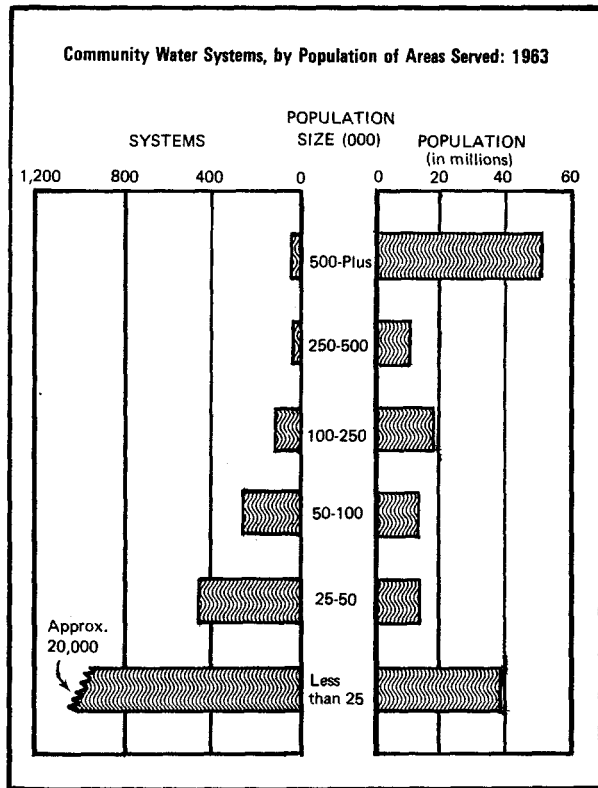
Local Governments. Water supply and sewerage demand attention by local governments either because these services are publicly provided; or because the private firms providing those services are subject to various forms of regulative control by local governments.

From very early days, urban local governments have had to deal with the problem of sewage collection and disposal, and this is everywhere recognized as a significant public responsibility for closely settled areas. Until recently, however, the installations and practices involved often left much to be desired. In 1963, a Public Health Service inventory identified about 21,000 water systems, providing domestic water for 144 million people or about three-fourths of the total population and about one-sixth of the water used by manufacturing industries. About three-fourths of these water supply operations involved only about 900 systems (including 154 privately owned), serving communities of 25,000 or more.¹

Water supply systems within the Nation's metropolitan areas number several thousand, and relatively few of them include more than a few square miles of territory. These localized municipal operations are not always limited to the area of the parent government. Especially for water supply, and less commonly for sewerage, service may be extended to adjacent territory through contractual arrangements with individual customers, associations or developers, or other governments. Municipal operations also are supplemented by special dis-

¹Statistical Abstract of the United States, 1968, Table 254, p. 172.

Figure 18



tricts, usually organized primarily to serve unincorporated territory.

In about half the States, some counties provide water supply or sewerage services, but such county operations are relatively few and scattered.

Local public water supply typically is handled on a financially self-sustaining basis, with charges set high enough to cover not only operating costs but also debt service. Some municipalities, particularly in the South, have water rates high enough to provide a considerable net surplus to help finance other functions. This is the equivalent, of course, of a sizable sales tax upon water.

Special districts that provide sewerage service generally rely on service charges for their financing, and many municipalities also impose sewerage charges (usually related to water use). However, the rates often are too low to cover all related costs, and the difference must be made up from tax revenues.

Local governments also have an important regulative role with regard to water supply and waste disposal practices. Municipally imposed land-use controls and building regulations prescribe standards for private installations. Also, county health agencies often administer State-imposed requirements concerning suburban private wells and septic tanks, the testing of water, and inspection of industrial waste disposal practices.

State Governments. Most States have an agency with power to classify surface water sources and to assign priorities to competing uses, for example as among agricultural, industrial, and municipal purposes. State health agencies also regulate community water and sewage facilities, usually with the responsibility for testing water, reviewing plans for new water and sewer systems and extensions, and policing industrial waste disposal practices. In most States, the State health department also has a role in subdivision control, being authorized to require that adequate water and sewer facilities are provided in new developments. The inadequacies of individual well and septic tank systems increasingly have indicated the need for more stringent regulation. State regulation of industrial water pollution often has been handicapped by threats that the requirement of costly clean-up installations would damage local firms' competitive position, and cause them to move elsewhere. Recent Federal legislation is designed to lessen this problem by backstopping more vigorous State regulation and injecting Federal regulation in the absence of State action.

Only in very recent years have any States provided grants to local governments to help finance their water or sewer facilities, and a considerable number still are not doing so. State technical assistance to local governments and agencies is more common. Perhaps the broadest approach thus far appears in the "State Pure Waters Authority" created by New York in 1967. That agency, with bond-issuing power, is authorized to make loans to municipalities for sewer system development and by contract with individual municipalities, to construct, maintain, and operate sewage treatment plants on their behalf.

The Federal Government. The Federal role, like that of the States, extends considerably beyond urban or metropolitan area needs, and includes a broad concern for conservation and natural resources.

Federal concern with water quality dates from the Rivers and Harbors Act of 1899. Not until 1961, however, was the national government's pollution control jurisdiction extended to include *all* navigable water bodies, rather than only interstate waters.

In 1965 and 1966, new enactments considerably strengthened the ability of the Federal Government to attack water pollution problems more broadly and directly. All States now are required to develop standards for water purity that are equal to or better than a specified Federal minimum. All have developed standards for review by the Secretary of the Interior and, as of mid-1968, the standards of 32 States had been found acceptable. Furthermore, States must now maintain interstate streams and their intrastate tributaries up to

the Federal standard or an approved State standard of quality. Thus a nationwide system for quality control will not be limited by jurisdictional boundaries.

The 1965-66 enactments also established a Federal Water Pollution Control Administration in the Department of the Interior, and an interagency Water Resources Council. Related provisions require the preparation of a detailed report, to be updated annually, estimating national requirements and costs for additional sewage treatment facilities for the five year period beginning July 1, 1968. The Water Resources Planning Act of 1965 also called for the establishment of Federal-State river basin commissions, and four now are in existence for the Pacific Northwest, the Great Lakes, the Souris-Red-Rainy, and the New England river basins.

The national government's direct dealing with problems of water supply and quality also has been supplemented, to a limited but growing degree, by Federal grants-in-aid to local governments.

Financial Scale and Prospects

Local Government Expenditures. In recent years, water supply and sewerage services have accounted for about one-twelfth of all expenditures by local governments in metropolitan areas, or about one-eighth of all their spending for non-school purposes.

Public spending for water supply and sewerage has been rising. However, the growth in capital outlay for these purposes has been less rapid than for other local government facilities. Between 1957 and 1967, when total capital outlay of local governments was rising about 5.7 percent annually, outlays for sewerage were going up 5.4 percent a year and capital outlays for water supply systems by only 3.7 percent a year.² Furthermore, the bulk of this increase was attributable to rising construction costs.

The bulk of all capital outlays for water supply and sewer systems has traditionally been financed by borrowing, and this is particularly true for sewerage facilities. During the 8 year period 1958 through 1966, sewer bond sales amounted to 90 percent of construction contract awards for public sewers and waste treatment facilities.³

Federal Aid. Local financing has been supplemented to a limited degree by Federal grants, initially with aid

²U.S. Bureau of the Census, *Compendium of Governmental Finances 1957 Census of Governments* Vol. 3, No. 5; and *Governmental Finances in 1966-67*.

³U.S. Dept. of Interior, Federal Water Pollution Control Administration, *The Cost of Clean Water: Economic Impact on Affected Units of Government* (Washington, D.C.: January 10, 1968) p. 62.

provided for public works programs in the 1930's. A 1948 Act authorized Federal loans for sewer system construction, but no funds were provided. In 1956, a \$50-million-a-year grant program was initiated, heavily loaded in favor of small systems (with a maximum Federal contribution of \$250,000 per project). By mid-1961, such Federal grants had totaled \$225 million. The level of Federal aid since has been stepped up, but as recently as fiscal 1967 all such grants were only about \$100 million, or about 9 percent of total local outlays for sewerage purposes.

The Federal Water Pollution Control Act of 1966 authorized a sizable increase in Federal grants for waste treatment facilities, but actual appropriations have been considerably below the authorized level. The total is slightly over \$300 million, or approximately one-tenth of the current rate of local governments' capital outlay for these purposes.

Prospective Outlays. As required by law, the Federal Water Pollution Control Administration has estimated the public outlays that would be needed to bring municipal sewerage practices into conformity with Federal water pollution control standards by 1973. To accomplish that, it reported:⁴

... State and local governments need to spend \$8.2 billion for municipal waste treatment facilities during the period 1969-73. An additional \$6.7 billion will have to be invested in the construction of sanitary sewers during that period, bringing the grand total ... to nearly \$15 billion—more than three times the amount spent in 1962-66.

If the authorized rate of Federal grants for treatment facilities were fully funded by appropriations, the State-local share of financing during the next 5 years would need to be 2½ times the rate of 1962-66. If Federal aid continues at only half the authorized rate, State-local financing would have to be multiplied three times to carry out the stated objective by 1973.⁵

Some Metropolitan Area Problems

Impact of Metropolitan Development. With a growing urban population, the amount of water supplied by community water supply systems has been rising strongly—at an average annual rate of 3.9 percent between 1955 and 1967. Continuance of such a rate would mean a doubling of water system requirements every 18 years. The water volume involved sounds very

⁴*Ibid.*, p. 9.

⁵Department of Interior, *Cost of Clean Water*, *op. cit.*, p. 10.

large—26 billion gallons a day in 1967, or some 170 gallons daily per resident in the areas served by community water systems. Nevertheless, such public utility demands make up only a very small fraction of all the Nation's water use, and are dwarfed by the requirements for agriculture, industry, and steam electric utilities.⁶

While there are some notable exceptions, most major urban areas have access to surface or groundwater sources that are sufficient *in volume* to meet their present and prospective water needs. However, the question of adequate water *quality* for urban domestic use is another matter. There can be no question that "used water" must be relied upon for an even greater share of the Nation's total urban water needs in the future. Moreover, with continued metropolitan growth, most of the expansion in community water needs will occur in areas where the relatively close settlement of a large population multiplies the chances for contamination and thereby increases the need for governmental action to assure not only an adequate volume but a safe and palatable supply of water for domestic and other urban uses.

The growing role of the States and the Federal Government with regard to water pollution reflects a belated recognition that traditional localized approaches are no longer adequate. Understandably, in earlier decades, municipal efforts focused almost entirely on supply and largely ignored the condition of the water discharged. A city might never develop without a good supply of water, but, once used, "our used water" became "their pollution problem."

It is mainly political and financial arrangements that prevent more effective handling of the water supply and sewerage requirements of metropolitan areas. A whole range of factors often stand in the way of sensible and foresighted action.

Decentralized Responsibility. In the first place, the inherited multiplicity of local jurisdictions concerned with water supply and sewerage in a particular metropolitan area seldom has any relationship to the watershed that collects the water or the drainage area that takes the sewage. Even entire counties or metropolitan areas rarely correspond closely to watersheds or drainage basins.

This local diffusion of governmental responsibility also discourages the development of large-scale installations which are likely to offer important economies.

Settlement Patterns. Common characteristics of urban fringe development also result in short-range and

small-scale approaches that all too soon are likely to produce unsatisfactory conditions and a multiplication of costs. In the scattered and initially "thin" pattern of settlement around urban centers, families rely on individual wells and septic tanks. This practice postpones the need for a public system, but the individual systems often cause trouble and expense to the homeowners, and maintenance costs often rise sharply over time. High fire insurance costs reflect the inadequate protection afforded by individual wells. With additional settlement, community facilities become increasingly necessary and economical. Yet, homeowners with their own septic tanks may be understandably reluctant to share in the costs involved, or at least may seek the cheapest short-run solution—usually a small community network. The homeowner may thus pay twice or more for his water supply and sewage disposal facilities, as individual and then small-area community systems give way to successively larger, more economical arrangements. Despite these statistics, however, many homeowners still find it financially attractive to build out ahead of water and sewer utilities, depending upon wells and septic tanks in the meantime, since appreciation in land value usually more than compensates for the diseconomies detailed above.

Financing Problems. The usual procedure, bond financing, tends to encourage relatively small-scale and short-range development of suburban facilities. Unless a project involves a geographically large special district or a county government, support for the bond issue is likely to be limited to the present property tax base of a small local area, and debt service requirements are typically met from revenues that at the outset will be modest, even if future urban development may promise to increase them. Under such circumstances, obviously, it is hard to finance extra capacity for probable future needs—and this practice further increases the total long-range cost for water and sewerage facilities, since the limited amount of bonds issued by small scale governments must usually carry a higher interest rate than bonds issued by larger units having a broader fiscal base and a better credit standing.

A piecemeal approach to the water and sewer facility needs of suburbia results also from the strong competing pressures that urban fringe areas commonly face at the same time for other kinds of expanded governmental physical plant, including especially public schools. Local government expenditure for additional school plant—also usually financed by borrowing, and with burgeoning suburbs heavily involved—currently totals about twice as much as local spending for new water and sewer facilities.

⁶Statistical Abstract of the United States, 1968, Table 255, p. 173.

Some Local Approaches

Contractual Arrangements. Various means have been employed to overcome the damaging effect of these conditions in metropolitan areas. As previously mentioned, contractual arrangements between a sizable city and one or more suburbs are a common approach. Sometimes the service is provided directly to outlying residents, and sometimes the city wholesales water or, less often, sewage disposal service, to suburban systems which then retail the service to their own residents. The Federal Water Pollution Control Administration estimates that more than 35 percent of all municipalities provide some sewerage service to customers outside their boundaries.⁷ Some sizable special districts also "wholesale" to smaller local distribution systems.

Special Districts. In some metropolitan areas, more fundamental approaches to larger area handling of water and sewer services have been attempted. These include, as already mentioned, county government operation or the use of a special district or authority.

The special district, if it covers a large area, may offer important advantages over the separate municipal systems which serve only fragments of a metropolis. However, in its usual form, the special district approach also has certain disadvantages. In most instances, entirely separate districts have been set up, one to deal with water supply, another with sewerage. This single-function approach is understandable. The "natural" areas for many large-area functions often do not coincide closely. The technicians and interest groups concerned are likely to be different. Moreover, efforts toward a large multi-function agency are likely to rouse a host of different opponents, sometimes fomenting suburban fears of being politically overwhelmed by the central city.

But separate single-function districts add further to the excessive complexity and layering of local government in the metropolitan area. And, especially in the absence of specific arrangements to relate such units closely to general purpose governments within the area, such layering may add to the difficulty of relating plans for water supply and sewerage—which have such an important bearing on the form and direction of metropolitan development—to health regulation, zoning and building regulation, and the provision for roads and public transportation.

⁷ Letter from Secretary of the Interior to Speaker, U.S. House of Representatives and Chairman, U.S. Senate Committee on Public Works, updating *The Cost of Clean Water*, (Jan. 16, 1969).

Advisory Commission Proposals

The Commission's 1962 report on water supply and sewage disposal in metropolitan areas offered a number of recommendations for local, State, and Federal action. Most of the Federal proposals have since been implemented, or have become less relevant in the light of the considerable broadening of the National Government's role by the Water Pollution Control Act of 1965 and subsequent enactments.

Improved Contractual Relations. The Commission noted many problems and limitations with intergovernmental contracting for water supply and sewerage services. Nonetheless, it recognized that such arrangements have, in some metropolitan areas, offered advantages of geographic and operating scale, as compared with other politically feasible alternatives. Accordingly, the Commission urged:⁸

Where central cities, counties and other jurisdictions provide water or sewer service to other units of government on a contract basis, they should assume the responsibility for comprehensive area-wide facility planning . . . the supplier-buyer relationship between municipality and suburb in specific instances might be eased through providing for suburban representation on water and sewer policy agencies.

The usual unrepresentative character of the contract relationship can produce considerable intergovernmental antagonism. Many central contracting cities resist sharing a voice in decisions. However, such sole control is not a necessary part of the contract structure: the semi-autonomous system in Detroit, where only four out of seven Commissioners are Detroit residents, has an excellent operating and financial record, and enjoys harmonious relations with the suburbs it serves.

Improved Planning. The Commission emphasized again, with particular reference to water supply and sewerage, the crucial importance of comprehensive planning within metropolitan areas. Specifically:⁹

The Commission recommends that comprehensive water utility planning on a metropolitan area as well as watershed and drainage basin basis, should be undertaken in each metropolitan area . . . Primary responsibility for this function is best lodged in an area-wide comprehensive planning agency . . .

⁸ Advisory Commission on Intergovernmental Relations, *Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas* (A-13; October, 1962), p. 105.

⁹ *Ibid.*, p. 108.

The Commission further recommends that local units of government coordinate utility policy making on a regional basis, regardless of the number of operating agencies in the metropolitan area.

Even in the minority of metropolitan areas where attention has been given to regional considerations in water and sewerage planning, such efforts typically have been "utility"-oriented, with too little concern for the potential of water and waste disposal facilities as a tool for shaping urban settlements. Thus, even in such areas, extension of water and sewer services has tended to follow rather than guide development.

Even the existence or creation of an operating metropolitan utility does not of itself guarantee broad-gauge planning, and is no substitute for a metropolitan planning agency with primary responsibility for developmental planning.

Coordinated Policy Development Instead of Piecemeal Decisions

The Commission urged the States act to equip themselves to develop and carry out a coordinated water resources policy, step up their anti-pollution efforts and stimulate related local activities.

Until recently, few if any State governments have exercised a sufficiently vigorous role concerning water resources. Traditionally, water pollution control, water allocation, water resource development, and other phases of the overall water resources problem have been dealt with independently by separate State agencies and boards. With rapidly growing water use and increased pollution, the need for effective coordination of these several kinds of effort has become more pressing. In 1957, the Council of State Governments called for the establishment of a comprehensive water resources program in each State. Similarly, commending steps under way in this direction in some States at the time of its 1962 report, the Advisory Commission recommended:¹⁰

... that States enact legislation vesting responsibility for overall State water resource planning, policy making and program coordination in a single agency State water resource planning and policy development should give

urgent consideration to the requirements and problems of urban areas. Each State should also insure that the interests of its urban areas are provided for in the State's representation on inter-state water agencies.

No Substitute for Strict Enforcement. The States have ample authority, through the exercise of the police power, to abate water pollution. The Commission found in 1962, however, that State performance was critically deficient; less the result of inadequate laws than of substandard effort. In turn, inadequate financing and staffing of State water pollution agencies was partly responsible. But even greater was the political difficulty of requiring municipal and industrial water-polluters to undertake costly treatment measures, especially when the benefits of such action might not accrue primarily to them, but to the entire area. Moreover, such benefits are extremely difficult to measure, even though they extend to health, recreation, conservation, property values, and general development.

As a result, the Commission found, State regulatory agencies typically had relied unduly upon "voluntary cooperation," which in many instances permitted anti-pollution action to be unduly postponed or entirely avoided.

Accordingly, the Commission urged:¹¹

... that the States enforce water pollution legislation and regulations affecting public health and recreation, municipal, industrial and other uses with greater vigor and thoroughness. Specifically . . . that (a) strengthened legislation be enacted to permit States, singly or jointly, to control and abate pollution of rivers and streams, (b) States undertake more vigorous administration of their water pollution control programs, including adequate financial support, and (c) legislation be enacted endowing the appropriate State and local agencies with regulatory authority over individual wells and septic tank installations, with a view to minimizing and limiting their use to exceptional situations consistent with comprehensive land use goals . . . The State legislatures should provide time limits for each step in the pollution abatement enforcement procedures.

State Stimulation of Local Action. Traditionally, the burden for financing of public water supply and

¹⁰*Intergovernmental . . . Water Supply & Sewage Disposal . . .*, p. 111. A draft measure to implement this proposal has been prepared. It provides for the designation of a single agency to formulate and implement a coordinated State water policy. See 1970 Cumulative ACIR State Legislative Program: Code 87-20-00.

¹¹*Intergovernmental . . . Water Supply & Sewage Disposal . . .*, p. 114. Three model statutes have been developed in consultation with the U.S. Public Health Service and other organizations to implement the Commission's recommendations. See 1970 Cumulative . . . , Code 87-51-00.

sewerage facilities has fallen nearly entirely upon individual local communities. Only relatively minor amounts of aid have been available (particularly for sewage treatment installations) from the Federal Government, and until very recently no more than a handful of States have made any grants-in-aid for these purposes. Predominantly, the role of the States has been limited to regulation, supplemented in some instances by technical advice and assistance to local communities.

In view of the serious lag in needed investment in public water supply and sewerage facilities, especially to abate water pollution, the Commission found an urgent need for a broadening of the States' traditional role, and recommended:¹²

... that the States enact legislation to (a) provide grants for capital development and assistance improvements designed to supplement Federal aid under the Water Pollution Control Act . . . , (b) provide incentives for comprehensive development and appropriate organization on watershed, drainage basin, or metropolitan area bases, . . . [and] expand their technical assistance programs for waste disposal planning and construction . . .

MASS TRANSPORTATION

Urbanization emerged as a means of civilized life because it reduced "the space that separates man, without freezing the relationships, so that contact and communication may be easy and varied at will."¹³

The Where and How of Urban Traffic

Motor vehicles in the United States have multiplied tenfold since 1920. In 1963, 82 percent of American workers living at least a quarter-mile from their jobs reached their work in private automobiles, and nearly 70 percent of these work commuters were driving alone.¹⁴ In mid-1967, nearly 79 percent of all U.S. households owned at least one car and 25 percent owned two.¹⁵

The use of all forms of urban public transportation initially declined with the arrival of the automobile, rose

¹² *Intergovernmental... Water Supply & Sewage Disposal...*, p. 118.

¹³ Luther Gulick, "Observations on Urban Transportation," *Congressional Record* (January 17, 1961). Vol. 107, p. 860.

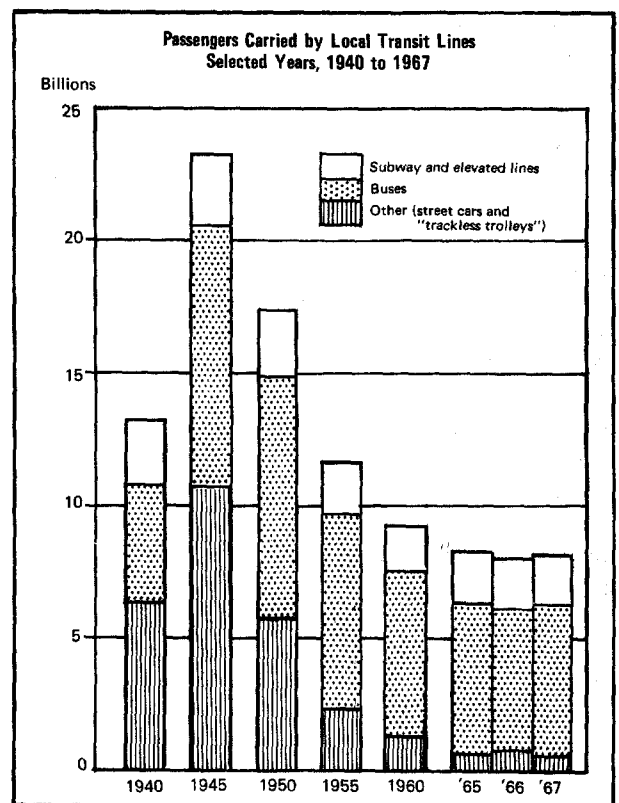
¹⁴ U.S. Bureau of the Census, *1963 Census of Transportation*.

¹⁵ 1968 Automobile Facts and Figures, Automobile Manufacturers Association, p. 64; source, U.S. Dept. of Commerce, Home-to-Work Travel Time.

again to a peak of over 23 billion passenger-trips annually during World War II, and has since fallen to its recent low of a little more than 8 billion trips per year.¹⁶

Rubber-tired vehicles using public streets (mainly buses but including some "trackless trolleys") account for nearly three-fourths of all transit rides; streetcars handle only 3 percent, and subway and elevated rail systems the other 24 percent. In contrast, during the mid-30's streetcars carried 60 percent, buses about 22 percent, and subways and elevated systems the other 18 percent. Thus, public roadbeds are now used for a far larger proportion of all mass transit than was the case in earlier periods. But the actual volume of such street use has fallen off because of the decline in mass transportation generally; rubber-tired transit vehicles carried about one-fourth fewer passengers in 1967 than they had 10 years earlier.¹⁷

Figure 19



Intra-Metropolitan Travel. One key characteristic of urban circulation is that much of it involves the recurring daily movement of people between their

¹⁶ 1968 *Transit Fact Book*, American Transit Association, Table 4.

¹⁷ *Ibid.*

homes and jobs, schools, and other locations of habitual group activity.

In spite of the changing spread and density of metropolitan areas, traffic tying the central city to its suburbs and the suburbs to each other is vitally important. It is, of course, the major factor in the definition of any group of jurisdictions as a Standard Metropolitan Statistical Area. Major streets cannot stop at the city line, mass transit cannot terminate there; provision must be made for people to travel circumferentially from suburb to suburb as well as radially. The needs of those who do not or cannot drive must be met. In short, the area should be treated as a whole in transportation planning.

The 1960 Census showed that of the 22 million employed residents of the central cities of SMSA's of 100,000 or more, over 2.5 million worked in the outlying suburbs. Of the 19.6 million employed residents of the suburban rings, 6.5 million worked in the central city. That is a massive cross-over of people every day.¹⁸

The relative numbers have changed since then—the suburbs now contain an even larger part of the metropolitan population and their share is growing. Lateral movement was important in 1960, when over two-thirds of suburban working residents held suburban jobs, and it is even more important now. The evidence is plain that most of these suburbanites work outside their own towns: the 1963 Census of Transportation showed that only 42 percent of suburban work-commuters (those gainfully employed people with jobs at least a quarter mile from their homes) lived within 5 miles of their jobs,¹⁹ but the overwhelming majority of suburban municipalities are far too small geographically to accommodate such a journey.

The reliance on automobiles in the suburbs is especially heavy; 96 percent of the families in suburban areas own a car. In metropolitan central cities, the proportion is generally far less, ranging down to an average of less than 50 percent in 5 "old" major metropolitan cities.²⁰

The domination of the automobile is also enforced by necessity, especially in the modern spread city of the metropolitan area. Nearly one-third of the metropolitan commuters in 1963 lacked means of public transportation to get to work. Another four million persons lived

¹⁸U.S. Census of Population, 1961, U.S. Summary, Detailed Characteristics, PC (1) ID, Table 216.

¹⁹1963 Census of Transportation; Vol. 1, *Passenger Transportation Survey*.

²⁰Survey Research Center; *Automobile Ownership and Residential Density* (Ann Arbor: University of Michigan, June 1967), p. 14.

at least half a mile from public transportation, so that nearly 40 percent of all metropolitan work commuters found public transit inconvenient or impossible in 1963. Developments since then (including the faster growth of jobs in suburbia than in metropolitan central cities) have undoubtedly increased this proportion, and it is likely that about half of all the metropolitan workers who use a car to get to work do not have any alternative.

But many regular commuters and others still need and use public transportation, even in the suburbs. Most of the aged, the handicapped, and the young cannot drive, and even in 1967 only 25 percent of U.S. households owned a second car. There is some evidence, in fact, that the long decline in public transit ridership is leveling off. For example new rail transit systems are being built in the San Francisco area and in Camden (N.J.).

Transit System Ownership. A widespread switch is under way from private to public ownership of local transit systems, especially in the largest urban areas.

The trend toward public provision of urban mass transportation takes various forms. In some instances, publicly owned systems are operated by private firms on a contract basis, but public operation is more usual. There are also two main patterns of public ownership: city-owned systems predominate, but a major and growing proportion of public systems that serve the largest metropolitan centers belong to separate transit districts or authorities.

Typically, the assigned legal responsibility of these districts involves only the provision and operation of transit facilities. In most instances they are governed by a board appointed by county or municipal officials or both. Most of them comprise at least a county, several are multi-county, and one (the Massachusetts Bay Transportation Authority) has certain statewide responsibilities. Transit districts are empowered to issue debt, but few have any direct taxing power. Their revenue needs must be met mainly from operating income, supplemented in some instances by aid from other governments.

Several major factors help to account for the urban transportation problem.

Travel "Parking". The pattern of job concentration and hours puts a heavy handicap on economical urban transportation. The day-time working population concentrates at the heart of the city—or, rather, in several hearts—and workday travel peaks sharply at the beginning and end of the working day.

This means that transportation facilities of any kind that are designed to meet peak-load conditions adequately will be under-used at other periods. For public carriers, this means that operating equipment is idle a

good part of the day, and in some instances it also means employees who are paid for time when they are not actually working.

Rush-hour jams also limit capability of the private automobile for employee transport. The car is a relatively bulky piece of equipment considering the number of people it carries, and one that must be parked all day at or near the job. Because the number of vehicles carrying only one occupant is so high, the number of independent decision-makers is multiplied in comparison with public transit and this maximizes the opportunities for driving error without decreasing the potential for damage. The demonstration of this truth takes place every rush hour; and bad weather multiplies the problem.

Affluence. Higher living standards have complicated the problem in many ways; most of all, perhaps, by making automobile ownership possible for the overwhelming majority of urban and suburban families, but also by making suburban home ownership more widely possible, and thus requiring extended home-to-work travel.

Sprawl. The thinner, wider pattern of settlement brought about by the automobile means that a smaller fraction of the population is close to major arteries of daily travel, for which common carrier service is most logical and economical. The automobile has cut severely into non-rush hour use of mass transit, further confining its business to the rush hours. The automobile has helped make it feasible for large industrial and commercial establishments to locate out on the fringe, while still drawing on the whole metropolitan area for their work forces. This increases the variety of travel linkages, and lessens the number of people that can be "collected" efficiently by mass transit carriers.

Decentralized Responsibility. In most metropolitan areas, separate and often uncoordinated governmental units administer highway planning, construction and traffic registration; operation of public transit facilities; and related matters.

Cost Factors. The demand for transport services and facilities (including roads) does not yet connect accurately in the public mind with the resulting costs. The automobile owner tends to think only of out-of-pocket expense of using his car, ignoring not only the social costs, such as air pollution, but also part of his own direct costs of driving, such as depreciation. For the average motorist driving 10,000 miles a year these costs, including gas, oil, maintenance, tires, insurance, license and registration, and depreciation, added up in 1967 to \$1,362.²¹

²¹American Automobile Association, "Your Driving Costs," (1967).

The costs to the community for private or public rubber-borne transportation include not only street construction and upkeep, but the lost tax revenue from land taken for streets and—where they exist—municipal parking lots. Public parking fees from meters and lots contribute relatively little to offset these costs: less than 3 cents per dollar of local government spending on streets and highways. Other costs involved in inefficient urban circulation, very large though difficult to measure, arise from delay in the movement of people and goods within cities, and losses of business patronage because of congestion. The community incurs excessive costs from congestion, too, in providing such services as refuse collection, street cleaning, and fire protection, aside from the large sums directly devoted to traffic control and to street and highway facilities.

The operating costs of public transportation have risen to the point where the industry as a whole has operated at a loss in recent years. Several hundred local transit companies have ceased operation since 1954, and while in some cases service has been taken over by another company or public system, a growing number of towns that formerly had public transportation are now without it. For the transit industry as a whole, operating expense (including depreciation), has climbed from 78.5 percent of revenue in 1935 to 98.4 percent in 1967—before taxes, debt service and other non-operating costs.²²

Many remedies are proposed for the diseases attacking urban transportation. For cars and buses, wider streets, more downtown parking lots, one-way traffic, and multi-lane expressways are constantly being built; for rail transit, higher fares, tax relief and public acquisition take place. But as fast as steps are taken, new problems and needs develop from sharp changes in land use, expansion of the urban community in new directions, and increased traffic, so that it is extremely difficult to forecast and meet future conditions and future needs. Long-range proposals to "solve" the crisis of urban transportation commonly call for action so broad and so varied as often to appear politically and economically unrealistic.

Local Government Responsibilities

Clearly, governments at all levels have a stake in smoothly moving transport of people and goods in metropolitan areas. The major burden naturally falls upon city governments, for they build and maintain most of the roads in the central city, and the major part of the network that links suburbia together.

²²American Transit Association, *1968 Transit Fact Book*, Table I.

In fiscal 1967, local governments spent \$4.5 billion on streets and highways. The major portion was financed from local revenue and borrowings.²³ Metropolitan areas, with less than one-ninth of the Nation's land area, account for nearly two-thirds of all local governments' highway expenditure. And the State governments make even greater highway expenditures within these areas (some \$3.6 billion in 1966), although dealing with far less mileage than that of the streets and highways that are under local governments' jurisdiction.

Aside from the provision of streets and highways, local governments also perform a wide range of other services that directly affect urban travel and transportation: control of traffic and parking, regulation of private transportation activities (including taxis and trucking operations as well as privately operated mass transit systems), and public provision of parking facilities.

Here, as so often in the functions of metropolitan areas, the fragmentation of governmental authority puts a roadblock in the way of effective performance. Regulations and requirements that vary from suburb to suburb, differences in fiscal capacity between central city and suburb, differences in emphasis and treatment—all are complicating elements.

Public ownership and operation of transit facilities typically involve a considerable financial subsidy—as a minimum, the surrender of taxes that would apply to a private system, and commonly also the underwriting of some transit requirements not covered by farebox revenues. Thus, the operating revenue of governmentally operated local transit systems in 1966-1967 was \$906 million, and their current operating expenditure (exclusive of depreciation), amounted to \$910 million; they also paid out \$94 million in interest on transit debt, and \$347 million in capital outlay. Of the 27 cities of 50,000 or more that operated transit systems in 1966-67, only 10 showed an excess of operating revenue over operating expenditure (exclusive of depreciation).²⁴

State Responsibilities

The States, with considerable Federal assistance, build and maintain the Nation's primary road system. While the vast majority of this express system is outside metropolitan areas, the portion located within is typically the most expensive and heavily traveled, and accounts for about 40 percent of all State spending on highway construction and maintenance.

²³U.S. Bureau of the Census, *Governmental Finances in 1966-67*, and *State Government Finances in 1967*.

²⁴U.S. Bureau of the Census, *Governmental Finances in 1966-67* and *City Government Finances in 1966-67*.

The benefit of these roads to urban mass transportation is mixed. The private automobile owner enjoys driving on them, but local transit buses find their usefulness limited because of the need to turn on and off to make intermediate stops. Sometimes the construction of the suburban expressway has blocked off smaller streets, and forced transit buses to take more circuitous, time-consuming routes.

On the average, the States finance 44 percent of local government highway spending, most of it from highway-user taxes and fees. A few States have provided some financial aid to urban transit through tax relief, purchase-lease arrangements for equipment, or contracts with private railroads for guaranteed commuter service.

At the State level, there are commonly two or three distinct agencies with a direct impact on urban transportation—above all, usually, the State highway department, but also agencies concerned with vehicle licensing, regulation of intrastate transportation, highway policing, and often, at least to some degree, State development and planning activities. Here again, needs for consistency and coordination exist. Some States have created a transportation agency to bring together the relevant activities of existing agencies.

The Federal Role

Grants to States for highway construction originated before World War I, and have been ever since an essential tool for the development of the Nation's major road system. In 1956, this program was considerably expanded with increased Federal highway-user taxes, to provide for development of a modern "national system of interstate and defense highways" with "90-10" financing—i.e., nine dollars of Federal money for every one supplied by the States. Such interstate system payments now make up nearly three-fourths of all Federal-State highway aid, with most of the remainder distributed on a 50-50 matching basis.

Although intended mainly to facilitate inter-city travel, the costly new interstate system of course has to deal with the particularly difficult problem of efficient highway access into and around major urban centers, and a considerable share of all the expenditures involved (though only a minor fraction of the system mileage) is within metropolitan areas. These greatly improved road facilities have also found very heavy use for daily work commuters and other motorized traffic within and around metropolitan areas, and have facilitated the geographic outthrust of many major urban centers.

As many observers have pointed out, these financing arrangements gave highway development a great advantage, at the State and local level, over other possible

forms of public expenditure to deal with urban and metropolitan transportation needs: a State-source dollar will buy from two to ten dollars worth of major-highway construction, while for most alternatives the entire cost (at least until very recently) has had to be financed locally or by the State.

Explicit Federal concern for urban mass transportation is only very recent. A 1961 enactment authorized \$25 million of Federal expenditure for "demonstration grants," and also provided for low-interest loans for transit facilities. This was broadened and enlarged by the Urban Mass Transportation Act of 1964 and subsequent amendments, under which research and training programs are carried out and grants are made not only for research and demonstration purposes but also to help finance the provision of capital facilities for urban transit systems. Total Federal obligations under this program in the fiscal year 1969 are about \$150 million, including \$130 million for capital facilities grants.

These grants (and also authorized loans, little used thus far) can go only to governmental bodies, to aid their acquisition of capital facilities (including equipment) in accordance with a specific urban transport plan. However, governmental operation of the transit system is not essential; public ownership with private operation under lease or contract is acceptable. Subject to certain other conditions, grants may be made up to two-thirds of the net cost of an urban transportation project—defined as the part of the expenditure which cannot be readily financed from transit revenues.

Several Commission Conclusions and Recommendations

In spite of the strong preference of the American public for automobile travel, a need for mass public transportation in sizeable urban areas will remain as long as the present pattern of concentrated settlement and simultaneous working hours persists. Private cars cannot meet all the internal circulation needs of the modern metropolis.

Some form of mass transit must continue even for parts of the metropolis where its cost is out of proportion to its revenue. Even in the suburbs, the aged, the handicapped, and the young cannot drive, and not every family owns a second car. The alternative to public transportation is to isolate these parts of the population.

Part of the cost of providing this transportation must be borne by government. The farebox alone cannot support the uneven operating schedules and the capital investments that are needed. Especially is this true for operations serving the poorer segments of the population, whose alternatives to mass transit are particularly limited.

Because no one confines his travels to his own jurisdiction, transportation planners must take into consideration entire urbanized areas. Major highways cannot stop short at the city line; bus and subway lines must provide extensions into suburbia. Because of the growing and changing pattern of settlement, moreover, any transportation solution must have flexibility and capacity for growth.

Governmental action at all three levels with respect to urban transportation should serve urgent needs for: (1) effective coordination of the various transportation functions of government—regulation, taxation, provision of highway facilities, traffic control, and public transit operations; (2) areawide consistency of planning and action by numerous governmental jurisdictions; (3) equitable and consistent policies for financing the various forms of urban transportation—highways, rail and surface transit; and (4) a vigorous research effort.

Recommended Federal Actions. The ACIR's 1961 report included only two explicit recommendations for Federal action: (1) Congressional consent in advance to interstate compacts creating agencies for planning (including transportation planning) for interstate metropolitan areas—a proposal that was later implemented by the Housing Act of 1961;²⁵ and (2) Federal grants for metropolitan area planning and demonstration grants involving for innovative "demonstration" projects, and low-interest loans to help finance the improvement of mass transportation facilities.²⁶ Subsequent Federal legislation has included such provisions but has gone beyond them to authorize grants also to help finance the development and improvement of capital facilities for local transit systems.

Recommended State Action. The Commission's 1961 report included two specific recommendations for State action. In one of these the Commission urged:²⁷

... enactment of legislation by the States to authorize local units of government within metropolitan areas to establish, . . . service corporations or authorities for the management of areawide transportation facilities and services, such entities to have authority to borrow and to impose user charges, but with the initial establishment of any such entity being subject to voter approval on the basis of an areawide majority.

²⁵ Advisory Commission on Intergovernmental Relations, *Intergovernmental Responsibilities for Mass Transportation Facilities and Services in Metropolitan Areas* (A-4; April, 1961), p. 50.

²⁶ *Ibid.*, pp. 51-2. Senator Muskie and Congressman Fountain reserved judgment, and Mr. Burton dissented in part.

²⁷ *Ibid.*, p. 48.

Since in a majority of States a large share of State revenue comes from the metropolitan areas and since, in many instances, the State represents the only single force which can be brought to bear upon metropolitan areas in their entirety, it is reasonable and necessary that the State governments direct an increased share of their technical and financial resources to the problems of the metropolitan areas. The policies and activities of State highway departments, planning agencies, tax and regulatory authorities, and special agencies having responsibility for local government and/or urban affairs all need to be marshalled and coordinated for sustained attack on the problem of urban transportation. Accordingly, the Commission recommended:²⁸

... that the States take legislative and administrative action to extend technical and financial assistance to their metropolitan areas with regard to the planning of mass transportation facilities and services.

The continuing and increasing urgency of mass transportation problems in many metropolitan areas led the Commission to make two additional proposals on this subject in its April 1969 report, *State Aid to Local*

²⁸ *Ibid.*, p. 50.

Government. One of these calls for the elimination of "anti-diversion" provisions which in many States now make it impossible for local governments to use any part of their allocations of State highway-user revenues for mass transportation purposes rather than solely for street and highway purposes. Beyond this:²⁹

The Commission recommends that urban States develop a mass transportation plan and that, in addition to providing technical and financial assistance to metropolitan areas with regard to the planning of mass transportation facilities and services, the States furnish financial assistance toward the improvement, acquisition and operation of such facilities.

This contemplates the development of a partnership financing role by those States which have sizable metropolitan areas, in a broad-based tackling of mass transportation problems. Thus far, there has been relatively little State expenditure for this purpose (in fiscal 1967, a total of \$48 million expended by three States), but recent enactments promise more widespread activity.

²⁹ Advisory Commission on Intergovernmental Relations, *State Aid to Local Government* (A-34; April, 1969), p. 23.



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